JOHNSTON & MURPHY

1998 Annual Report

GENESCO

JARMAN®

VOLUNTEER

Financial Highlights

Genesco Inc. and Consolidated Subsidiaries

	1998	1997	Percent Change
For the Year:			
Net sales	$536,107,000	$461,348,000	16%
Earnings before discontinued operations and extraordinary loss	$ 8,820,000	$ 10,554,000	(16%)
Net earnings	$ 8,651,000	$ 10,404,000	(17%)
Diluted earnings per common share before discontinued operations and extraordinary loss	$ .32	$ .40	(20%)
Diluted net earnings per share	$ .31	$ .39	(21%)
At Year End:			
Working capital	$119,313,000	$108,795,000	10%
Long-term debt	$ 75,000,000	$ 75,000,000	0%
Shareholders' equity	$ 71,964,000	$ 53,790,000	34%
Shares outstanding	$ 25,776,000	$ 24,706,000	4%
Book value per share	$ 2.43	$ 1.82	
Approximate number of common shareholders of record	10,500	11,000	

The Business of Genesco

Founded in 1924 in Nashville, Tenn., Genesco Inc. designs, sources, manufactures, markets and distributes branded shoes. The Company's owned and licensed footwear brands sold through both wholesale and retail channels of distribution, include Johnston & Murphy, Dockers and Nautica shoes.

Genesco sells footwear at wholesale to more than 2,700 retailers, including a number of leading department, discount and specialty stores and at retail through the Company's own network of 587 retail shoe stores including Johnston & Murphy, Jarman, Journeys, General Shoe Warehouse, Boot Factory and Nautica retail stores and leased shoe departments. Genesco relies primarily on independent third party manufacturers for production of its footwear products.

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This annual report contains certain forward-looking statements. Actual results could be materially different. For a discussion of some of the factors that could adversely affect future results, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Letter to Shareholders

For Genesco, fiscal 1998 was a year full of promise of sustainable success. We have seen positive signs for a long time now, but the past year's results increase our confidence that we are doing the right thing.

After reviewing several years' annual reports, we are convinced that on an "apples-to-apples" basis, ignoring extraordinary and nonrecurring charges through the years, it has been close to three decades since Genesco's ongoing businesses did as well as in fiscal 1998. And you don't have to do any analysis or make any adjustments to the data to recognize that our common stock traded at a 25-year high during the year. On a less quantitative level, the excitement we feel inside the Company and the attention being paid Genesco by various external audiences – financial analysts, our customers and, in some ways most gratifyingly, our competitors – tell us that we're on the right track.

What is making the difference? For one thing, an ever sharpening focus on our core businesses is keeping them responsive to their customers and enabling us to deploy our resources to address our target markets more effectively. In a trend-sensitive business, this translates to flexibility, a willingness to change and the discipline and control to do so in a financially responsible way.

...an ever sharpening focus on our core businesses is keeping them responsive to their customers and enabling us to deploy our resources to address our target markets more effectively.

At Genesco over the past couple of years, it has meant preserving the attributes of the Johnston & Murphy brand that underlie its distinguished reputation in traditional dress-shoes, while establishing it as a major force in a new lifestyle market, with dress-casual, contemporary and casual offerings. It means identifying and addressing new and underserved markets just as we are doing for the urban male fashion market with the Underground Station retail concept. And it means acting decisively when it becomes obvious that a market is no longer right for our business, as we have had to do with our western boot operations.

In short, we think that a combination of the confidence to set and the drive to push toward aggressive goals with the discipline to execute them well has set the stage for the success that is evident in the operating results discussed throughout this report. That same combination provides the key to sustaining that success. To be sure that we don't lose sight of the combination, we've made it our theme for the year: "The courage to succeed, the will to last."

Good News

A quick review of our fiscal 1998 results shows the momentum of Genesco's ongoing operations. Our net sales for the year increased 16%, to $536.1 million. Excluding the western boot business, which we announced at the end of the year that we intend to divest, net sales grew 21%, to $490.7 million. Pretax earnings for fiscal 1998 increased 43%, to $26.6 million, before charges of $17.7 million related primarily to the boot restructuring. This compares to pretax earnings of $18.5 million in the previous year, before charges related to a litigation settlement and restructuring and other charges.

All of Genesco's ongoing footwear brands and retail operations performed well during the year – a fact that not only brings satisfaction to management, employees and shareholders but also captures the attention of the footwear trade. For the second time in four years, Genesco was recognized by the Footwear Distributors and Retailers of America (FDRA) as the top performing, full-service, national retail shoe company for calendar 1997. In addition, Journeys, operating 176 stores in 32 states at year-end, was selected as "Chain Retailer of the Year" by *Footwear News*, the nation's leading weekly footwear trade publication.

Retail Success

The Journeys chain remains our greatest retail success story. We believe that Journeys continues to be well-positioned to benefit from the favorable dynamics of the teen market, including rapid population growth, significant spending power, preference for branded products and footwear-focused shopping. Journeys again generated healthy sales and earnings growth for fiscal 1998, surpassing our expectations with a same store sales increase of 15%, after a strong 26% increase in fiscal 1997. We opened a net of 58 additional Journeys stores during fiscal 1998 and expect to open at least 60 in fiscal 1999.

Johnston & Murphy continued to benefit from the brand's new focus on the lifestyle market, appealing to a broader and younger customer base than ever before. The Johnston & Murphy stores reported their second consecutive year of double digit same store sales increases, as they continued to increase the percentage of Johnston & Murphy branded product in their sales mix as well. We believe this speaks to the value of the 140-year-old Johnston & Murphy brand, the strength of the product lines and the success of the J&M retail format.

Jarman had a good year in both its retail stores and leased departments, including a 7% increase in comp store sales for the year. Given Jarman's position as our most mature retail concept, our expectations for it are obviously less dramatic than for Journeys. We also recognize the necessity of working even harder at Jarman to keep the format fresh and the merchandise right. If we succeed at that, we see no reason that Jarman cannot continue to enjoy respectable same store sales increases. We believe that it will make sense to open about 15 new Jarman stores this year.

In summary, our total retail sales were up 25% in fiscal 1998. That includes a 10% overall increase in same store sales. This year, recognizing that sustaining double digit same store sales growth becomes more of a challenge the longer it continues, our job at retail is to focus even more intently on maintaining the momentum by staying attentive to our customers' footwear needs and being ready to meet them in appropriate shopping environments.

Wholesale Strength

All of our ongoing wholesale footwear brands turned in strong performances in fiscal 1998, and following our exit from the boot business, the wholesale division has a renewed focus on its opportunities. For fiscal 1998, ongoing wholesale sales (without western boots) increased 11%.

Johnston & Murphy had a very good year. We see this as a direct result of bringing fresh, new product and creative advertising to an established, respected brand. Johnston & Murphy continued to build on its gains of recent years in the contemporary and dress markets and it expanded its line of casual offerings. Johnston & Murphy now offers a shoe for almost every occasion in the lifestyle of its target customer. It seems to us that, from the comfort, performance and sense of fun of the casual line, through the urban sophistication and sleek European influence of the contemporary collection, to the classic, always correct styling of the traditional heart of the brand, Johnston & Murphy is succeeding at preserving the best features of its heritage of craftsmanship and comfort, even as it responds to a changing market.

Our Nautica Footwear division reported another year of rapid growth in fiscal 1998 with sales up 76% for the year. Of course, that growth rate reflects the fact that Nautica is growing from a small base, but we continue to see great potential in this division.

Dockers Footwear also had a strong year from a sales standpoint and posted respectable earnings while investing in infrastructure and advertising to support a growing footwear brand. We think that Dockers has taken a quantum leap in product styling and quality, and we are excited about its prospects.

Finally, we have taken steps to make Volunteer Leather a leaner and more profitable organization, refocusing its business on supplying military footwear manufacturers in response to a general contraction in non-military domestic shoemaking. At the same time, Volunteer had to address challenges posed by changing military procurement patterns. In response to these challenges in its market, Volunteer has taken out a considerable amount of annual operating expense. We believe that Volunteer has created a much leaner organization through this process, and that it should be able to meet its customers' needs while delivering an acceptable level of earnings.

Moving Forward

Fiscal 1999 marks the first time in nearly a decade that Genesco has launched a new footwear retail concept. The new Underground Station stores are designed to meet the fashion demands of the urban male in an atmosphere reflective of this customer's attitudes and lifestyles. We believe that no other national chain is serving the urban market as Underground Station plans to do, and we hope that with out product knowledge and retail merchandising abilities we will be able to serve our Underground Station customer better than anyone has before.

The merchandising approach of Underground Station draws heavily on fashion "hook-ups," combining branded footwear with fashion apparel. Our mix is approximately 75% footwear and 25% apparel and accessories. This year we plan to convert 15 to 25 existing Jarman stores in urban markets which are already performing well with a merchandise selection similar to Underground Station's. In addition, we plan to open 10 to 15 new Underground Station stores across the country by the end of fiscal 1999. To date, we have opened or remodeled Underground Station stores in Indianapolis, Jersey City, Buffalo, Fayetteville, North Carolina and Columbia, South Carolina.

Following the close of our fiscal year, we sold $103.5 million of 5½% Convertible Subordinated Notes due April 15, 2005, in a private offering. We have redeemed the Company's 10⅜% Senior Notes due 2003 and made arrangements to pay off dividend arrearages on our preferred stock with some of the proceeds of the offering. We believe the financing is one more step in the right direction.

In summary, we are pleased with our progress and confident of our prospects. At the same time, we are also acutely aware that a year with milestones like fiscal 1998 sets a high standard for continuing performance, and that past success is no guarantee of the future in challenging, ever-changing markets. We are hopeful that this mindset will lead us to the right balance of drive and discipline to sustain our success.

...the ability to maintain this positive focus of the passion and commitment that comes naturally to Genesco employees will make the difference between mere survival and real success.

People

Lots of people share in the credit for the success we have seen, as well as in the responsibility for sustaining it. No matter how strong our systems and procedures may be, how solid our financial base, real sustainable success requires that the people at every level of the Company be both talented and passionate. David Chamberlain, my predecessor as chief executive officer, who remains chairman of Genesco's board, tells me that when he stepped in to lead the Company's turn-around in the fall of 1994, he was immediately impressed with the spirit and commitment he witnessed in Nashville and in the retail stores and plants he visited. One of David's key contributions, which I believe will have the greatest long-term impact on Genesco, was to focus that spirit and commitment in positive channels through management systems that we continue to use. As a 30-year veteran of this Company, I believe that the ability to maintain this positive focus of the passion and commitment that comes naturally to Genesco employees will make the difference between mere survival and real success. We are determined to maintain it, to prove that we have "the courage to succeed, the will to last."

As a final note, I want to celebrate the long-term contributions to Genesco as well as the personal qualities of two of our outside directors who enjoyed last year's success with us. John Diebold, a Genesco director since 1969, retires from the board this year. It has been a true privilege to get to know and work with John. The sort of insight and foresight that brought him international renown as a pioneer in the application of computer technology to business processes at an early age – he coined the word "automation" in its present usage in his M.B.A. thesis written when he was 26 years old – have been quite valuable to Genesco during his tenure. Perhaps as much as this, we will miss John's urbane charm and the regular opportunity to enjoy the company of a true Renaissance man.

Sadly, at our April board meeting, we learned that Harry Garber, a director since 1976, long-time chairman of the finance committee and chairman of the Company during 1994, had died. It illustrates Harry's determination and perseverance, as well as his commitment to Genesco, that during more than two years of serious illness he never once failed to attend a regular board meeting, either in person or on the phone. Even as we mourn Harry's passing, we are grateful for his contributions to our present success and are inspired by his courage and strength.

Thank you for your continued support. I look forward to reporting to you on more success stories in next year's report.

Ben T. Harris
President and Chief Executive Officer

Genesco's Retail Network

Genesco's network of 587 retail stores is located throughout the United States.

Johnston & Murphy retail stores are major marketers of dress, dress casual and casual footwear for men ages 25-54. Including its factory stores, Johnston & Murphy operates 127 locations across the U.S.

Jarman retail shoe stores marker casual footwear in both its 158 retail stores and its 84 leased departments ro men ages 18-35.

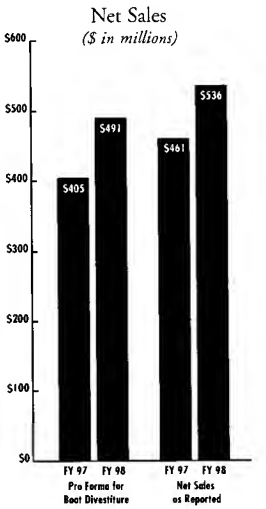
Journeys, a 176-unit retail chain, is a major marketer of casual footwear for men and women ages 13-22.

Outlet stores - Genesco owns and operares 12 General Shoe Warehouse stores and leased departments, 26 Boot Factory outlets and 4 Nautica leased departments. General Shoe Warehouse features name brand men's, women's and children's footwear while Boot Factory outlet stores sell a full assortment of branded western, work and outdoor boots, primarily in the southeasr U.S.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Genesco Inc. and Consolidated Subsidiaries

This discussion, the Notes to the Consolidated Financial Statements and other material in this report, including the Letter to Shareholders beginning on page 1, include certain forward-looking statements. Actual results could differ materially from those reflected by the forward-looking statements in the discussion and a number of factors may adversely affect future results, liquidity and capital resources. These factors include softness in the general retail environment, particularly as it may result in changing buying patterns by customers of the Company's wholesale divisions, the timing and acceptance of products being introduced to the market, international trade developments affecting foreign sourcing of products, the outcome of various litigation and environmental contingencies, including those discussed in Note 18 to the Consolidated Financial Statements, the solvency of the retail customers of the Company, the level of margins achievable in the marketplace and the ability to minimize operating expenses and to deal with changes in markets for the Company's products, including the market for tanned leather used in military footwear. The continuing weakening of the western boot market has caused declining sales in the Company's western boot business and erosion of its retail customer base, leading to the Company's decision to exit the western boot business ("Boot Divestiture") and the related charges discussed below. In addition to the risks and uncertainties discussed above, the Company's ability to execute the plans and realize the estimates of value reflected for the Boot Divestiture may adversely affect future results, liquidity and capital resources. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted and the Company may further alter its business strategies during fiscal 1999.



Significant Developments

Fiscal 1998 Restructuring, Asset Impairment and Other Charges

As a result of the continued weakness in the western boot market, the Company approved a plan in the fourth quarter of fiscal 1998 to exit the western boot business. In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less estimated costs to sell. In addition to the asset writedown, the Company recorded $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs in the fourth quarter of fiscal 1998. Net sales of the Company's western boot business for fiscal 1998, 1997 and 1996 were $45.4 million, $56.1 million and $57.3 million, respectively.

The Company's ongoing businesses, after the Boot Divestiture, will include the design, manufacture or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy*, *Dockers* and *Nautica* brands, the tanning and distribution of leather by the Volunteer Leather division and the operation of *Jarman*, *Journeys*, *Johnston & Murphy*, *Boot Factory*, *General Shoe Warehouse*, *Nautica* and *Underground Station* retail footwear stores and leased departments.

Although the Company is currently in negotiations regarding the possible sale of its western boot operations as of May 8, 1998, there are no definitive agreements, arrangements, or understandings with regard thereto. There can be no assurance that the Company will sell these operations. If such operations are not sold to a third party substantially as a whole, the Company intends to liquidate the boot operations. In the event of a sale or liquidation, the Company does not anticipate incurring additional charges with regard to the Boot Divestiture.

In addition to the charge related to the Boot Divestiture, the Company took a charge of $0.6 million during the fourth quarter of fiscal 1998 to consolidate staff in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

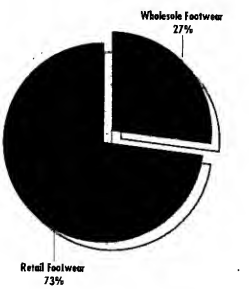
The Company's actions relating to such charges are expected to be completed in fiscal 1999 and are expected to result in the eliminarion of approximately 490 jobs, including all employees in the western boot business.

During the second quarter of fiscal 1998, the Company recorded a restructuring gain of $1.1 million and losses from an asset impairment and other charges of $0.8 million resulting in a net gain of $0.3 million reported in the income statement. The restructuring gain relates to both the Manufacturing Restructuring discussed below and a restructuring plan adopted in the third quarter of fiscal 1995 (the "1995 Restructuring") and relates primarily to the sale of one facility and cancellation of leases on two facilities (including one facility included in the 1995 Restructuring) more quickly and on more favorable terms than contemplated when the reserves were established. The asset impairment and other charges during the second quarter of fiscal 1998 arose from the decrease in production in one of the Company's western boot plants in response to the continued weakness in the western boot market. The asset impairment and other charges relared to excess equipment, including $0.1 million of equipment covered by operating leases. The Company expects only negligible recovery on the sale of the excess equipment.

Manufacturing Restructuring

The Company approved a plan ("the Manufacturing Restructuring") in the third quarter of fiscal 1997 to realign its manufacturing operations as part of an overall strategy to focus on marketing and global sourcing. The Manufacturing Restructuring included closing the Company's Hohenwald, Tennessee western boor plant by July 1997 with the elimination of approximately 190 jobs. In connection with the adoption of the Manufacturing Restructuring, the Company recorded a charge to earnings of $1.7 million in fiscal 1998, including $0.5 million in asset write-downs of the plant and excess equipment to estimated market value and $1.2 million of other costs. Included in other costs is employee severance, facility shutdown and lease costs of which the Company had spent $0.7 million through the end of fiscal 1998.

Genesco Sales Breakdown
(Pro Forma for Boot Divestiture)



Revolving Credit Agreement

On September 24, 1997, the Company entered into a revolving credit agreement with three banks, which was amended as of January 30, 1998 in connection with the Boot Divestiture, providing for loans or letters of credit of up to $65 million. The agreement, which expires September 24, 2002, replaced a $35 million revolving credit agreement with two banks that was to expire January 5, 1999. In connection with the cancellation of the old revolving credit agreement, the Company recorded an extraordinary loss of $169,000 ($0.01 per share) in the third quarter of fiscal 1998. See "Liquidity and Capital Resources."

Litigation Settlement

On April 28, 1997, the Company entered into an agreement settling a lawsuit with certain preferred shareholders who had challenged the value they received for shares of preferred stock acquired for Common Stock issued by the Company to the plaintiffs in a 1988 exchange transaction. The agreement provided for issuance of shares of Common Stock as additional consideration to the plaintiffs for the shares acquited in 1988. The Company reflected a net expense in the fourth quarter of fiscal 1997 and a liability at February 1, 1997 equal to the $6.7 million market value of the shares issued in the settlement. In addition, the Company reflected a liability and a receivable at February 1, 1997 equal to the portion of the settlement to be paid by the Company's directors and officers liability insurance carrier. The liability was satisfied in June 1997 by the issuance of 525,495 shares of Common Stock and the payment of cash by the Company's directors and officers liability insurance carrier.

Fiscal 1995 Restructuring

In response to worsening trends in the Company's men's apparel business and in response to a strategic review of its footwear operations, in fiscal 1995 the Company's board of directors approved the 1995 Restructuring designed to focus the Company on its core footwear businesses by selling or liquidating four businesses, including the entire men's apparel segment.

The 1995 Restructuting provided for the following:

1995 Restructuring Charge relating to:

- Liquidation of the University Brands children's shoe business,
- Sale of the Mitre Sports soccer business, and
- Facility consolidation costs and petmanent work force reductions.

1995 Restructuring Provision relating to:

- Liquidation of The Greif Companies men's tailored clothing business, and
- Sale of the GCO Apparel Corpotation tailored clothing manufacturing business.

The 1995 Resttucturing was substantially complete as of January 31, 1996 and the Company does not expect any material future adjustments arising from the completion of the 1995 Restructuring. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footweat operations to be divested or consolidated and in staff positions to be eliminated, of which 457 jobs had been eliminated as of January 31, 1996. The divestiture of the University Brands business was completed in February 1995. The liquidation of The Greif Companies was substantially completed in June 1995. The Company's GCO Apparel Corporation was sold in June 1995. The Company's Mitre Sports soccer business was sold in August 1995.

Results of Operations — Fiscal 1998 Compared to Fiscal 1997

The Company's net sales for fiscal 1998 increased 16.2% to $536.1 million from $461.3 million in fiscal 1997. Pro forma fot the Boot Divestiture, the Company's net sales increased 21.1% to $490.7 million in fiscal 1998 from $405.2 million in fiscal 1997. Gross margin for fiscal 1998 increased 19.2% to $222.9 million in fiscal 1998 from $187.1 million in fiscal 1997 and increased as a percentage of net sales from 40.5% in fiscal 1997 to 41.6% in fiscal 1998. Selling and administrative expenses in fiscal 1998 increased 17.1% from fiscal 1997 and increased slightly as a percentage of net sales from 34.6% in fiscal 1997 to 34.8% in fiscal 1998. Earnings before income taxes, discontinued operations and extraordinary loss ("pretax earnings") for fiscal 1998 were $8.9 million compared to $10.1 million for fiscal 1997. Pretax earnings for fiscal 1998 reflect charges of $17.3 million incurred in connection with the Boot Divestiture, $0.6 million of other charges and a net gain of $0.3 million in the second quarter related to restructurings and asset impairments as discussed in detail above. Pretax earnings for fiscal 1997 included the $1.7 million Manufacturing Restructuring charge and a $6.7 million litigation settlement charge. Net earnings in fiscal 1998 were $8.7 million ($0.31 diluted earnings per share) compared to $10.4 million ($0.39 diluted earnings per share) for fiscal 1997. In addition to the charges to pretax earnings discussed above, fiscal 1998 net earnings included an extraordinary charge of $0.2 million ($0.01 diluted earnings per share) for the early retirement of debt while fiscal 1997 net earnings included a loss from discontinued operations of $0.2 million ($0.01 diluted earnings per share).

Footwear Retail

	Fiscal Year Ended		%
	1998	1997	Change
	(dollars in thousands)		
Net sales	**$355,791**	$283,546	25.5%
Operating income	**$ 39,682**	$ 26,519	49.6%
Operating margin	**11.2%**	9.4%	

Primarily due to a 10% increase in comparable store sales and a 15% increase in average retail stores operated, net sales from footwear retail operations increased 25.5% for fiscal 1998 compared to fiscal 1997. The average price per pair decreased 1% in fiscal 1998 while unit sales increased 26% during the same period.

The Company's comparable store sales increases and store count at the end of the periods were as follows:

	Comparable Sales Changes	Store Count Fiscal Year End 1998	1997
Journeys	15%	176	118
Johnston & Murphy (including factory stores)	13%	127	119
Jarman Retail	6%	158	143
Jarman Lease	8%	84	85
Other Outlet Stores	5%	42	39
Total Retail	10%	587	504

The Jarman Lease comparable store sales increase in fiscal 1998 reflects a 3% increase in the average square footage due to remodeling.

Retail gross margin as a percentage of net sales remained flat at 48.8% in fiscal 1998 compared to 48.9% in fiscal 1997. A change in product mix to more branded non-western boots in the Company's boot outlets created less markdowns as a percentage of sales in fiscal 1998 compared to fiscal 1997. This improvement was offset by increased markdowns in fiscal 1998 in certain other companies in the Company's retail division. Retail operating expenses increased 19.5% in fiscal 1998, primarily due to the 15% increase in average stores operated during fiscal 1998, which resulted in increased rent expense, selling salaries and advertising expense. In addition, divisional management expenses increased in fiscal 1998 to support new store growth. Overall retail operating expenses decreased as a percentage of net sales from 39.4% in fiscal 1997 to 37.6% in fiscal 1998.

Retail operating income for fiscal 1998 was up 49.6% to $39.7 million compared to $26.5 million in fiscal 1997, due to increased sales and the lower expenses as a percentage of sales.

Footwear Wholesale & Manufacturing

	Fiscal Year Ended 1998	1997	% Change
	(dollars in thousands)		
Net sales	$180,316	$177,802	1.4%
Net sales — ongoing operations[1]	$134,908	$121,694	10.9%
Operating income[2]	$(10,468)	$ 8,108	NA
Operating margin	(5.8)%	4.6%	

[1] *Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.*

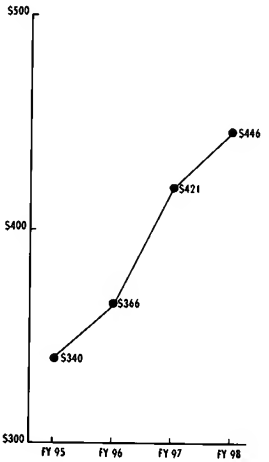
[2] *Includes restructuring and other charges of $17.7 million for fiscal 1998 and $1.7 million for fiscal 1997.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Genesco Inc. and Consolidated Subsidiaries

Net sales from footwear wholesale and manufacturing operations increased 1.4% to $180.3 million in fiscal 1998 from $177.8 million in fiscal 1997, reflecting primarily increased men's branded footwear sales, which more than offset lower tanned leather sales and the continuing ttend of decreased sales of western boots, primarily attributable to lower unit sales. Tanned leather sales were down due to Department of Defense delays in awarding military footwear contracts and lower orders from military footwear suppliers, which have been impacted by the continuing decrease in demand for leather military footwear, which makes up the bulk of the Company's tanned leather business. The increase in branded sales in fiscal 1998 included sales of new products introduced by the Company's Nautica division. Pro forma for the Boot Divestiture, wholesale sales attributable to ongoing operations increased 10.9% in fiscal 1998 to $134.9 million from $121.7 million in fiscal 1997.

Sales Per Square Foot
(Retail Operations)



Wholesale gross margin for fiscal 1998 increased 1.5% from $48.4 million in fiscal 1997 to $49.2 million in fiscal 1998, and increased slightly as a percentage of net sales, from 27.2% in fiscal 1997 to 27.3% in fiscal 1998.

Wholesale operating expenses increased 7.9% in fiscal 1998 and increased as a percentage of net sales from 21.7% in fiscal 1997 to 23.1% in fiscal 1998, primarily as a result of higher divisional administrative expenses to support the expected growth in the branded businesses and increased royalty expenses from increased sales and higher royalty rates.

Wholesale operating income for fiscal 1998 decreased from $8.1 million in fiscal 1997 to a loss of $10.5 million in fiscal 1998. Wholesale operating income for fiscal 1998 included $17.7 million of restructuring and other charges principally related to the Boot Divestiture. Operating income for fiscal 1997 included the $1.7 million Manufacturing Restructuring charge. Excluding the above charges, operating income decreased 26.2% to $7.2 million in fiscal 1998 from $9.8 million in fiscal 1997, primarily due to the impact of lower sales of western boots, lower earnings in the Company's tanned leather business and the increase in operating expenses.

During the fourth quarter of fiscal 1998, the Company adopted a plan to exit the western boot business. In fiscal 1998 the western boot business had net sales and operating loss before restructuring and other charges of $45.4 million and $3.7 million, respectively. In fiscal 1997 the western boot business had net sales and operating losses before the Manufacturing Restructuring charge of $56.1 million and $2.2 million, respectively. The western boot operation is tightly integrated with the Company's systems and facilities. Fiscal 1998 allocations to the boot operations for the use of the systems and facilities was $4.4 million which includes approximately $2.4 million of fixed costs. The Company believes that it will eliminate or absorb approximately $2.4 million of fixed costs within one year after the Company completes the Boot Divestiture.

Corporate and Interest Expenses

Corporate and other expenses for fiscal 1998 were $11.5 million compared to $9.1 million for fiscal 1997 (exclusive of the litigation settlement of $6.7 million in fiscal 1997), an increase of 26.9%. The increase in corporate expenses in fiscal 1998 is attributable primarily to increased compensation expense, including performance-related stock based compensation and increased bonus accruals based on the Company's increased earnings before restructuring and other charges.

Interest expense decreased 1% from $10.3 million in fiscal 1997 to $10.2 million in fiscal 1998, and interest income decreased 15% from $1.5 million in fiscal 1997 to $1.3 million in fiscal 1998 due to decreases in average short-term investments. There were no borrowings under the Company's revolving credit facility during fiscal 1998 or fiscal 1997.

Results of Operations — Fiscal 1997 Compared to Fiscal 1996

The Company's net sales for fiscal 1997 increased 6.2% to $461.3 million from $434.6 million in fiscal 1996. Pro forma for the Boot Divestiture, the Company's net sales increased 17.0% to $405.2 million from $346.5 million in fiscal 1996. Gross margin for fiscal 1997 increased 8.2% to $187.1 million in fiscal 1997 from $172.8 million in fiscal 1996 and increased as a percentage of net sales from 39.8% in fiscal 1996 to 40.5% in fiscal 1997. Selling and administrative expenses increased 3.2% from fiscal 1996 but decreased as a percentage of net sales from 35.6% in fiscal 1996 to 34.6% in fiscal 1997. Pretax earnings for fiscal 1997 were $10.1 million compared to a pretax loss of $3.8 million for fiscal 1996. Pretax earnings for fiscal 1997 included the $1.7 million Manufacturing Restructuring charge and a $6.7 million litigation settlement charge. The pretax loss for fiscal 1996 included a $14.1 million net increase in the 1995 Restructuring Charge, a $978,000 charge for impaired assets due to the implementation of SFAS No. 121 and recognition of a $1.8 million gain from the favorable resolution of a claim relating to import duties. Net earnings in fiscal 1997 were $10.4 million ($0.39 diluted earnings per share) compared to $10.1 million ($0.40 diluted earnings per share) for fiscal 1996. Fiscal 1996 net earnings included, in addition to the 1995 Restructuring Charge adjustment and the charge for impaired assets, a positive adjustment of $13.9 million to the 1995 Restructuring Provision.

Footwear Retail

	Fiscal Year Ended		%
	1997	1996	Change
	(dollars in thousands)		
Net sales	$283,546	$243,303	16.5%
Operating income	$ 26,519	$ 17,881[1]	48.3%
Operating margin	9.4%	7.3%	

[1] *Includes a $978,000 charge for impaired assets.*

Primarily due to a 12% increase in comparable store sales, net sales from footwear retail operations increased 16.5% to $283.5 million in fiscal 1997 from $243.3 million in fiscal 1996. The average price per pair increased 5% and unit sales increased 14% for fiscal 1997.

The Company's comparable store sales changes and store count at the end of the periods were as follows:

	Comparable Sales Changes	Store Count Fiscal Year End 1997	1996
Journeys	26%	118	93
Johnston & Murphy (including factory stores)	11%	119	115
Jarman Retail	8%	143	135
Jarman Lease	10%	85	82
Other Outlet Stores	-3%	39	38
Total Retail	12%	504	463

The Jarman Lease comparable store sales increase in fiscal 1997 reflected a 5% increase in the average square footage due to remodeling while the Other Outlet Stores decline was due to the weakness in demand for western boot products.

Retail gross margin as a percentage of net sales decreased from 49.2% in fiscal 1996 to 48.9% in fiscal 1997, primarily as a result of increased markdowns to stimulate sales in the Company's boot outlets and changes in product mix to more branded products. Retail operating expenses increased 10.7% in fiscal 1997, primarily due to increased selling salaries, advertising and rent expense and increased divisional management expenses to support new store growth during fiscal 1997, but decreased as a percentage of net sales from 41.5% in fiscal 1996 to 39.4% in fiscal 1997.

Retail operating income increased 40.6% to $26.5 million in fiscal 1997 compared to $18.9 million in fiscal 1996, excluding the $978,000 charge for impaired assets, due to increased sales and the lower expenses as a percentage of sales.

Footwear Wholesale & Manufacturing

	Fiscal Year Ended		%
	1997	1996	Change
	(dollars in thousands)		
Net sales	$177,802	$191,272	(7.0)%
Net sales — ongoing operations[1]	$121,694	$103,262[2]	17.8 %
Operating income (loss)[3]	$ 8,108	$ (1,754)	NA
Operating margin	4.6%	(0.9)%	

[1] Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.

[2] Pro forma for the 1995 Restructuring as if it occurred at the beginning of the period presented.

[3] Includes restructuring charges of $1.7 million in fiscal 1997 and $14.1 million in fiscal 1996.

Net sales from footwear wholesale and manufacturing operations decreased 7.0 % to $177.8 million in fiscal 1997 from $191.3 million in fiscal 1996, reflecting primarily the absence of sales in fiscal 1997 from the operations divested as part of the 1995 Restructuring and the continuing trend of decreased sales of western boots, primarily attributable to lower unit sales. Wholesale ongoing operations' sales increased 17.8% to $121.7 million in fiscal 1997 from $103.3 million in fiscal 1996, reflecting primarily increased men's branded footwear sales. The increase in branded sales was aided by an increase in product assortment by key retailers.

Wholesale gross margin for fiscal 1997 decreased 8.9%, primarily from the absence of the gross margins of the operations divested as part of the 1995 Restructuring, and decreased as a percentage of net sales from 27.8% in fiscal 1996 to 27.2% in fiscal 1997. Gross margin, excluding the operations divested as part of the 1995 Restructuring, increased 10.0% in fiscal 1997 due to increased sales but decreased as a percentage of net sales from 27.4% in fiscal 1996 to 27.2% in fiscal 1997. The decline in margin as a percentage of net sales is due to underabsorbed overhead resulting from a reduced level of production in the Company's western boot plants. In response to the continued weakness in the western boot market and the resulting underabsorbed overhead, the Company announced in the third quarter of fiscal 1997 a decision to close its Hohenwald, Tennessee plant. See "Significant Developments — Manufacturing Restructuring Charge" above. The Hohenwald plant ceased operations in April 1997.

Wholesale operating expenses decreased 10.9% in fiscal 1997 and decreased as a percentage of net sales from 22.7% in fiscal 1996 to 21.7% in fiscal 1997, reflecting primarily the absence of the expenses attributable to the operations divested in the 1995 Restructuring. Excluding the operating expenses of the operations divested as part of the 1995 Restructuring, operating expenses increased 16.5% in fiscal 1997 primarily due to (i) higher advertising expenses including advertising associated with the introduction of the Larry Mahan brand, (ii) higher divisional administrative expenses to support the growth in the branded businesses as well as the Larry Mahan boot brand and (iii) higher royalty expenses from higher royalty rates.

Wholesale operating income increased to $8.1 million in fiscal 1997 from an operating loss of $1.8 million in fiscal 1996. Wholesale operating income for fiscal 1997 included a $1.7 million restructuring charge and wholesale operating income for fiscal 1996 included a one-time gain of $1.8 million from the favorable resolution of a claim relating to import duties and a $14.1 million restructuring charge. Excluding the above charges, wholesale operating income decreased 11.8% to $9.8 million in fiscal 1997 from $11.1 million in fiscal 1996, primarily due to lower earnings in the Company's western boot business reflecting the continued weakness of the western boot market and costs associated with the introduction of the Larry Mahan brand.

Corporate and Interest Expenses

Corporate and other expenses for fiscal 1997 were $15.8 million compared to $10.2 million for fiscal 1996, an increase of 54%. Included in corporate and other expenses for fiscal 1997 is a litigation settlement of $6.7 million. The 12% decrease in corporate expenses in fiscal 1997 from fiscal 1996, excluding the litigation settlement, is attributable primarily to decreased bonus accruals due to changes in the structure of the Company's bonus plan.

Interest expense decreased 1% from $10.4 million in fiscal 1996 to $10.3 million in fiscal 1997, while interest income increased 104% from $0.8 million in fiscal 1996 to $1.5 million in fiscal 1997 due to increased short-term investments related to the cash generated from the 1995 Restructuring. There were no borrowings under the Company's revolving credit facility during fiscal 1997, while borrowings averaged $181,000 during fiscal 1996.

Other Income

Operating results of businesses divested pursuant to the 1995 Restructuring are included in the Company's sales, gross margin and selling and administrative expenses for fiscal 1996. The net operating losses incurred by these operations subsequent to the decision to divest them were charged against the restructuring reserves established to provide for such losses. The elimination of these losses from the Company's results of operations for fiscal 1996 is reflected as other income in the Company's Consolidated Earnings Statement included elsewhere herein. Such operating losses totalled $1.3 million for fiscal 1996. Also included in other income for fiscal 1996 is a $1.8 million gain from the favorable resolution of a claim relating to import duties and a $0.5 million provision for environmental litigation.

Liquidity and Capital Resources

The following table sets forth certain financial data at the dates indicated.

	Jan. 31, 1998	Feb. 1, 1997	Jan. 31, 1996
		(dollars in millions)	
Cash and short-term investments	**$ 49.3**	$ 43.4	$ 35.6
Working capital	**$119.3**	$108.8	$108.1
Long-term debt (includes current maturities)	**$ 75.0**	$ 75.0	$ 75.0
Current ratio	**2.6x**	2.6x	3.2x

Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Cash flow from operations is ordinarily generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was $26.9 million in fiscal 1998 compared to $22.4 million in fiscal 1997. The $4.5 million increase in cash flow from operating activities reflects a $3.2 million pension contribution that was deferred until February 1998 and improved earnings before restructuring charges. Cash provided by operating activities was $22.4 million in fiscal 1997 compared to $22.7 million in fiscal 1996. The $0.3 million reduction in cash flow from operating activities for fiscal 1997 compared to fiscal 1996 reflects primarily the absence of cash flows from the liquidation of assets included in the 1995 Restructuring and the additional working capital needed to support new store growth. The Company added 41 net new stores in fiscal 1997 while there was a net reduction of 35 stores in fiscal 1996.

The $22.5 million increase in inventories at January 31, 1998 from February 1, 1997 levels reflects planned increases in retail inventory to support the net increase of 83 stores in fiscal 1998 and increases in men's branded wholesale inventory to support growth in certain of the wholesale businesses and lower than anticipated sales in certain product styles. The $11.0 million increase in inventories at February 1, 1997 reflects planned increases in retail inventory to support the net increase of 41 stores in fiscal 1997 and increases in men's branded wholesale inventory to support growth in those businesses.

Accounts receivable at January 31, 1998 decreased $3.9 million compared to February 1, 1997 primarily due to a $4.0 million litigation settlement included in the February 1, 1997 accounts receivable balance. Accounts receivable at February 1, 1997 increased $0.3 million compared to January 31, 1996, primarily due to increased sales of men's branded footwear and the introduction of the Larry Mahan boot brand. Accounts receivable at February 1, 1997 were $1.7 million less than at January 31, 1996, primarily due to increased provisions for bad debts relating to western boot customers.

Cash provided (or used) due to changes in accounts payable and accrued liabilities are as follows:

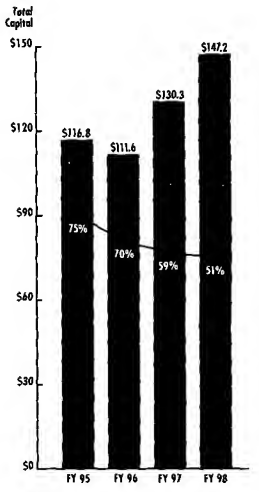
	Fiscal Year Ended		
	1998	1997	1996
		(in thousands)	
Accounts payable	**$11,209**	$10,625	$ (3,655)
Accrued liabilities	**(2,456)**	(1,665)	(9,369)
	$ 8,753	$ 8,960	$(13,024)

The fluctuations in accounts payable for fiscal 1998 from fiscal 1997 and for fiscal 1997 from fiscal 1996 are due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels, while the decrease in accounts payable for fiscal 1996 from fiscal 1995 relates primarily to the divestitures associated with the 1995 Restructuring.

The change in accrued liabilities in fiscal 1998 was due primarily to payment of a litigation settlement. The change in accrued liabilities in fiscal 1997 was due primarily to payment of bonuses and to payment of severance costs and liabilities related to the restructurings. The change in accrued liabilities in fiscal 1996 was due to payment of severance costs and liabilities related to the Restructurings.

There were no revolving credit borrowings during fiscal 1998 and 1997, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures. There were only minimal revolving credit borrowings during fiscal 1996 as cash generated from the 1995 Restructuring more than offset seasonal working capital increases in the remaining operations. On September 24, 1997, the Company entered into a revolving credit agreement with three banks providing for loans or letters of credit of up to $65 million. On January 30, 1998 the revolving credit agreement was amended to permit the Boot Divestiture. The agreement, as amended January 30, 1998, expires September 24, 2002.

Debt/Total Capital
($ in millions)



Capital Expenditures

Capital expenditures were $24.7 million in fiscal 1998, $14.6 million in fiscal 1997 and $8.6 million in fiscal 1996. The $10.1 million increase in fiscal 1998 capital expenditures as compared to fiscal 1997 resulted primarily from the net increase of 83 new retail stores in fiscal 1998 as well as $4.2 million of capital expenditures connected with new system initiatives related to the year 2000. The $6.0 million increase in fiscal 1997 capital expenditures as compared to fiscal 1996 resulted primarily from the net increase of 41 new retail stores in fiscal 1997.

Total capital expenditures in fiscal 1999 are expected to be approximately $33.0 million. These include expected retail expenditures of $23.0 million to open approximately 133 new retail stores and to complete 77 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately $10.0 million, including approximately $4.2 million for new systems to improve customer service and support the Company's growth.

Year 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal activities.

Based on a recent assessment, the Company determined that it will be required to modify or replace significant portions of its software so that its computer systems will properly utilize dates beyond December 31, 1999. The Company has also begun the process of upgrading and modernizing its major information systems, including its wholesale and retail operating systems and its financial systems. The replacement systems will be Year 2000 compliant. The Company will utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. The Company currently has 85% of its estimated resources committed and expects to have the remaining resources committed in the second quarter of fiscal 1999. The Company plans to complete its Year 2000 project no later than July 31, 1999. The total cost of upgrading most of the Company's major operating systems, including the Year 2000 project for fiscal years 1998 through 2000, is estimated at $22 million and is being funded through operating cash flows. Of the total project cost, approximately $14 million is attributable to the purchase of new software and hardware which will be capitalized. The remaining $8 million will be expensed as incurred over 3 years, including projected costs of $3.5 million for fiscal 1999.

The Company has developed plans for formal communications with all of its significant suppliers and large customers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issues. The communications began in the last quarter of fiscal 1998 and the Company anticipates their completion in the second half of fiscal 1999. There can be no assurance the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have material adverse effect on the Company.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 18 to the Company's Consolidated Financial Statements included elsewhere herein. The Company has made provisions for certain of these contingencies, including provisions of $150,000 and $500,000 in discontinued operations in fiscal 1997 and fiscal 1996, respectively, and $250,000 and $500,000 reflected in fiscal 1998 and 1996, respectively. The Company monitors these proceedings on an ongoing basis and at least quarterly management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts as of the close of the most recent fiscal quarter. Because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, however, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be inadequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its capital expenditures through fiscal 1999, although the Company may borrow from time to time to support seasonal working capital requirements. The approximately $9.3 million of costs associated with the Boot Divestiture, the 1994 Restructuring and the 1995 Restructuring that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand and cash generated from exiting the western boot business.

There were $15.5 million of letters of credit outstanding under the revolving credit agreement at January 31, 1998, leaving availability under the revolving credit agreement of $49.5 million.

The restricted payments covenant contained in the indenture under which the Company's 10¾% senior notes were issued prohibits the Company from declaring dividends on the Company's capital stock, except from a pool of available net earnings and the proceeds of stock sales. At January 31, 1998, that pool was in a $79 million deficit position. The aggregate of annual dividend requitements on the Company's Subordinated Serial Preferred Stock, $2.30 Series 1, $4.75 Series 3 and $4.75 Series 4, and on its $1.50 Subordinated Cumulative Preferred Stock is $300,000. The Company currently has dividend arrearages in the amount of $1.3 million.

The Company announced, on March 30, 1998, that it is planning to offer $90 million of convertible subordinated notes in a private placement under Rule 144A of the United States Securities Act of 1933 to qualified institutional buyers and to non-U.S. persons. The Company may issue an additional $13.5 million of Notes to cover any over-allotments. If successful, the Company intends to use the net proceeds from the offering to repay the 10¾% senior notes, to pay preferred stock dividend arrearages and for general corporate purposes. The Company presently anticipates that it will complete the offering in early April.

On February 11, 1998, Standard & Poor's announced that it had raised the rating of the 10¾% Notes to "BB-" from "B+" based on better than expected operating results and a strengthened financial condition. On February 4, 1998, Moody's Investors Service upgraded the senior debt rating of Genesco's 10¾% Notes to Ba3 from B2. According to Standard & Poor's, a debt instrument rated BB is less vulnerable to nonpayment than other less than investment grade issues, but currently has the capacity to meet interest and principal payments. According to Moody's, the protection of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be very moderate with respect to a debt instrument rated Ba. Ratings are not a recommendation to purchase, hold or sell long-term debt of the Company, inasmuch as ratings do not comment as to market price or suitability for particular investors and may be subject to revision or withdrawal at any time by the assigning rating agency.

Foreign Currency

The Company does not believe that its foreign currency risk is material to its operations. Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. Any gains or losses from such transactions offset gains and losses from the underlying hedged transactions.

Changes in Accounting Principles

The Company implemented Statement of Financial Accounting Standards (SFAS) 128, "Earnings per Share" in the fourth quarter of fiscal 1998. This statement simplifies the computation of earnings per share (EPS) and requires the disclosure of basic and diluted earnings per share. Under SFAS 128, primary EPS is replaced by "Basic" EPS, which excludes dilution, and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. "Diluted" EPS, which is computed similarly to fully diluted EPS, reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock. The Company has restated all prior period EPS information. For additional information, see Note 16 to the Company's Consolidated Financial Statements included elsewhere herein.

In June 1997, The Financial Accounting Standards Board (The "FASB") issued Statement No. 130, "Reporting Comprehensive Income" and Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." For fiscal years beginning after December 15, 1997, these statements respectively require (i) the reporting and display of comprehensive income and its components and (ii) the reporting of certain information about operating segments and related information about the products and services of such segments. The Company does not anticipate the adoption of these statements to have a significant impact on the reporting of results of operations.

The Company implemented Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in the third quarter of fiscal 1996. This statement establishes accounting standards for determining impairment of long-lived assets. The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. During the third quarter of fiscal 1996, the Company identified certain retail stores that were impaired because of a history of and current period cash flow losses in these specific stores. An impairment loss of $978,000 was recognized for these retail stores and is included in the "Restructuring and other charges" line on the income statement for fiscal 1996.

Changes in the economic environment have historically affected the Company's results of operations, therefore the Company limits the amount of deferred tax assets it recognizes to an amount no greater than the amount of tax refunds the Company could claim as loss carrybacks. For additional information, see Note 13 to the Company's Consolidated Financial Statements included elsewhere herein.

Inflation

The Company does not believe inflation has had a material impact on sales or operating results during periods covered in this discussion.

Financial Summary

Genesco Inc. and Consolidated Subsidiaries

In Thousands except Per Common Share Data, Financial Statistics and Other Data	Fiscal Year End 1998	1997	1996	1995	1994
Results of Operations Data					
Net sales	**$536,107**	$461,348	$434,575	$462,901	$467,891
Depreciation and amortization	**8,893**	7,747	7,354	9,254	10,723
Operating income (loss)*	**29,214**	34,627	16,127	3,479	(2,968)
Pretax earnings (loss)	**8,860**	10,132	(3,756)	(17,757)	(29,788)
Earnings (loss) before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	**8,820**	10,554	(3,781)	(18,514)	(27,888)
Discontinued operations	**0**	(150)	13,852	(62,678)	(23,891)
Loss on early retirement of debt (net of tax)	**169**	0	0	0	240
Cumulative effect of change in accounting for postretirement benefits	**0**	0	0	0	2,273
Net earnings (loss)	**$ 8,651**	$ 10,404	$ 10,071	$ (81,192)	$ (54,292)
Per Common Share Data					
Earnings (loss) before discontinued operations, extraordinary loss and postretirement benefits					
Basic	**$ .33**	$ .42	$ (.17)	$ (.77)	$ (1.17)
Diluted	**.32**	.40	(.17)	(.77)	(1.17)
Discontinued operations					
Basic	**.00**	(.01)	.57	(2.58)	(.99)
Diluted	**.00**	(.01)	.57	(2.58)	(.99)
Extraordinary loss					
Basic	**.00**	.00	.00	.00	(.01)
Diluted	**(.01)**	.00	.00	.00	(.01)
Postretirement benefits					
Basic	**.00**	.00	.00	.00	(.09)
Diluted	**.00**	.00	.00	.00	(.09)
Net earnings (loss)					
Basic	**.33**	.41	.40	(3.35)	(2.26)
Diluted	**.31**	.39	.40	(3.35)	(2.26)
Balance Sheet Data					
Total assets	**$246,817**	$221,654	$197,806	$243,878	$309,386
Long-term debt	**75,000**	75,000	75,000	75,000	90,000
Capital leases	**279**	1,485	2,697	12,400	15,253
Non-redeemable preferred stock	**7,945**	7,944	7,958	7,943	8,064
Common shareholders' equity	**64,019**	45,846	25,947	21,450	90,659
Additions to plant, equipment and capital leases	**24,725**	14,640	8,564	5,750	8,356
Financial Statistics					
Operating income (loss) as a percent of net sales	**5.4%**	7.5%	3.7%	0.8%	(0.6%)
Book value per share	**$ 2.43**	$ 1.82	$ 1.04	$ .87	$ 3.73
Working capital	**$119,313**	$108,795	$108,135	$100,731	$160,094
Current ratio	**2.6**	2.6	3.2	2.2	3.3
Percent long-term debt to total capital	**51.1%**	58.7%	69.6%	74.8%	51.6%
Other Data (End of Year)					
Number of retail outlets	**587**	504	463	498	518
Number of employees	**4,300**	4,050	3,750	5,400	6,950

**Represents operating income of the footwear business segment.*

Reflected in the earnings for Fiscal 1998, 1997 and 1996 were restructuring and other charges of $17.7 million, $1.7 million and $15.1 million, respectively. See Note 2 to the Consolidated Financial Statements for additional information regarding these charges. Also reflected in the earnings for Fiscal 1997 was a $6.7 million litigation settlement.

Reflected in the loss for Fiscal 1995 and Fiscal 1994 was a restructuring charge of $22.1 million and $12.3 million, respectively. See Note 2 to the Consolidated Financial Statements for additional information regarding these charges.

Long-term debt and capital leases include current payments. On February 1, 1993, the Company issued $75 million of 10¼% senior notes due 2003. The Company used $54 million of the proceeds to repay all of its outstanding long-term debt.

The Company has not paid dividends on its Common Stock since 1973. See Note 12 to the Consolidated Financial Statements for a description of limitations on the Company's ability to pay dividends.

Management's Responsibility For Financial Statements

Genesco Inc. and Consolidated Subsidiaries

The consolidated financial statements presented in this report are the responsibility of management and have been prepared in conformity with generally accepted accounting principles. Some of the amounts included in the financial information are necessarily based on estimates and judgements of management.

The Company maintains accounting and related internal control systems designed to provide, among other things, reasonable assurance that transactions are executed in accordance with management's authorization and that they are recorded and reported properly. An integral part of the control system is an internal audit program which regularly reviews the internal control systems of the Company and coordinates its activity with the examination by the Company's independent accountants. There are limitations inherent in all systems of internal control, and the Company weighs the cost of such systems against the expected benefits.

The financial statements have been examined by our independent accountants, Price Waterhouse. Their primary role is to render an independent professional opinion on the financial statements. Their examination, which is performed in accordance with the generally accepted auditing standards, includes a study and evaluation of the Company's accounting systems and internal controls sufficient to express their opinion on those financial statements.

The audit committee of the board of directors, composed entirely of directors who are not employees of the Company, meets regulatly with management, the internal auditor and the independent accountants to review the results of their work and to satisfy itself that their responsibilities are being properly discharged. The internal auditor and the independent accountants have full and free access to the audit committee and meet (with and without management present) to discuss appropriate matters.

James S. Gulmi
Senior Vice President – Finance
Chief Financial Officer

Paul D. Williams
Chief Accounting Officer

Report of Independent Accountants

Price Waterhouse LLP

Nashville, Tennessee
February 24, 1998

To the Board of Directors and Shareholders of Genesco Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Genesco Inc. and its subsidiaries at January 31, 1998 and February 1, 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Consolidated Balance Sheet

Genesco Inc. and Consolidated Subsidiaries

In Thousands	As of Fiscal Year End 1998	1997
Assets		
Current Assets		
Cash and short-term investments	**$ 49,276**	$ 43,375
Accounts receivable	**20,360**	34,389
Inventories	**106,000**	95,884
Other current assets	**5,805**	4,509
Current assets of operations to be divested	**13,123**	0
Total current assets	**194,564**	178,157
Plant, equipment and capital leases, net	**45,371**	34,471
Other noncurrent assets	**6,623**	9,026
Noncurrent assets of operations to be divested	**259**	0
Total Assets	**$246,817**	$221,654
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 71,994**	$ 65,331
Provision for discontinued operations	**3,017**	3,263
Current payments on capital leases	**240**	768
Total current liabilities	**75,251**	69,362
Long-term debt	**75,000**	75,000
Capital leases	**39**	717
Other long-term liabilities	**14,219**	11,172
Provision for discontinued operations	**10,344**	11,613
Total liabilities	**174,853**	167,864
Contingent liabilities (see Note 18)	**—**	—
Shareholders' Equity		
Non-redeemable preferred stock	**7,945**	7,944
Common shareholders' equity:		
Par value of issued shares	**26,264**	25,195
Additional paid-in capital	**132,218**	122,615
Accumulated deficit	**(75,456)**	(84,107)
Minimum pension liability adjustment	**(1,150)**	0
Treasury shares, at cost	**(17,857)**	(17,857)
Total shareholders' equity	**71,964**	53,790
Total Liabilities and Shareholders' Equity	**$246,817**	$221,654

The accompanying Notes are an integral part of these Financial Statements.

Consolidated Earnings

Genesco Inc. and Consolidated Subsidiaries

In Thousands, except per share amounts	Fiscal Year **1998**	1997	1996
Net sales	**$536,107**	$461,348	$434,575
Cost of sales	**313,198**	274,273	261,743
Selling and administrative expenses	**186,819**	159,518	154,567
Restructuring and other charges	**17,706**	1,693	15,124
Earnings from operations before other income and expenses	**18,384**	25,864	3,141
Other expenses (income):			
Interest expense	**10,174**	10,289	10,403
Interest income	**(1,312)**	(1,548)	(758)
Litigation settlement	**0**	6,700	0
Other expense (income)	**662**	291	(2,748)
Total other (income) expenses, net	**9,524**	15,732	6,897
Earnings (loss) before income taxes, discontinued operations and extraordinary loss	**8,860**	10,132	(3,756)
Income taxes (benefit)	**40**	(422)	25
Earnings (loss) before discontinued operations and extraordinary loss	**8,820**	10,554	(3,781)
Discontinued operations	**0**	(150)	13,852
Earnings before extraordinary loss	**8,820**	10,404	10,071
Extraordinary loss from early retirement of debt	**(169)**	0	0
Net Earnings	**$ 8,651**	$ 10,404	$ 10,071
Basic earnings (loss) per common share:			
Before discontinued operations and extraordinary loss	**$ .33**	$ .42	$ (.17)
Discontinued operarions	**$ .00**	$ (.01)	$ .57
Extraordinary loss	**$ .00**	$ .00	$ .00
Net earnings	**$ .33**	$ .41	$ .40
Diluted earnings (loss) per common share:			
Before discontinued operations and extraordinary loss	**$ .32**	$ .40	$ (.17)
Discontinued operations	**$ .00**	$ (.01)	$ .57
Extraordinary loss	**$ (.01)**	$ .00	$ .00
Net earnings	**$ .31**	$ .39	$ .40

The accompanying Notes are an integral part of these Financial Statements.

Consolidated Cash Flows

Genesco Inc. and Consolidated Subsidiaries

In Thousands	Fiscal Year 1998	1997	1996
Operations:			
Net earnings	**$ 8,651**	$10,404	$10,071
Adjustments to reconcile net income to net cash provided by operating activities:			
(Excess) provision for loss on discontinued operations	**0**	150	(13,852)
Restructuring charge	**16,875**	1,693	14,147
Depreciation and amortization	**8,893**	7,747	7,354
Impairment of long-lived assets	**831**	0	978
Provision for environmental liabilities	**0**	0	500
Provision for deferred income taxes	**(520)**	(415)	0
Litigation settlement	**0**	6,700	0
Loss on retirement of debt	**169**	0	0
Provision for losses on accounts receivable	**969**	2,060	1,799
Other	**1,328**	699	548
Effect on cash of changes in working capital and other assets and liabilities:			
Accounts receivable	**3,935**	(314)	15,466
Inventories	**(22,487)**	(10,954)	6,280
Other current assets	**(1,437)**	(192)	165
Accounts payable and accrued liabilities	**8,753**	8,960	(13,024)
Other assets and liabilities	**912**	(4,136)	(7,780)
Net cash provided by operating activities	**26,872**	22,402	22,652
Investing Activities:			
Capital expenditures	**(24,725)**	(14,631)	(8,564)
Proceeds from businesses divested and asset sales	**193**	76	18,763
Net cash provided by (used in) investing activities	**(24,532)**	(14,555)	10,199
Financing Activities:			
Net borrowings (repayments) under revolving credit agreement	**0**	0	0
Net change in short-term borrowings	**0**	0	2,522
Payments on capital leases	**(1,206)**	(1,220)	(9,703)
Exercise of options and related income tax benefits	**3,874**	1,202	23
Other	**893**	(4)	(378)
Net cash provided by (used in) financing activities	**3,561**	(22)	(7,536)
Net Cash Flow	**5,901**	7,825	25,315
Cash and short-term investments at beginning of year	**43,375**	35,550	10,235
Cash and short-term investments at end of year	**$49,276**	$43,375	$35,550
Supplemental Cash Flow Information:			
Net cash paid (received) for:			
Interest	**$ 9,594**	$ 9,887	$ 9,146
Income taxes	**375**	(42)	(802)

The accompanying Notes are an integral part of these Financial Statements.

Consolidated Shareholders' Equity

Genesco Inc. and Consolidated Subsidiaries

In Thousands	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated (Deficit)	Treasury Stock	Minimum Pension Liability Adjustment	Total Share-holders' Equity
Balance January 31, 1995	$7,943	$24,832	$121,670	$(104,582)	$(17,857)	$(2,613)	$29,393
Exercise of options	0	8	15	0	0	0	23
Net earnings	0	0	0	10,071	0	0	10,071
Minimum pension liability adjustment	0	0	0	0	0	(5,631)	(5,631)
Other	15	4	30	0	0	0	49
Balance January 31, 1996	$7,958	$24,844	$121,715	$ (94,511)	$(17,857)	$(8,244)	$33,905
Exercise of options	0	187	455	0	0	0	642
Issue shares — Employee Stock Purchase Plan	0	161	399	0	0	0	560
Net earnings	0	0	0	10,404	0	0	10,404
Minimum pension liability adjustment	0	0	0	0	0	8,244	8,244
Other	(14)	3	46	0	0	0	35
Balance February 1, 1997	$7,944	$25,195	$122,615	$ (84,107)	$(17,857)	$ 0	$53,790
Exercise of options	0	458	2,809	0	0	0	3,267
Issue shares — Employee Stock Purchase Plan	0	70	496	0	0	0	566
Net earnings	0	0	0	8,651	0	0	8,651
Issue shares — litigation settlement	0	525	6,175	0	0	0	6,700
Tax effect of exercise of stock options	0	0	42	0	0	0	42
Minimum pension liability adjustment	0	0	0	0	0	(1,150)	(1,150)
Other	1	16	81	0	0	0	98
Balance January 31, 1998	**$7,945**	**$26,264**	**$132,218**	**$ (75,456)**	**$(17,857)**	**$(1,150)**	**$71,964**

See Note 12 for additional information regarding each series of preferred stock.

The accompanying Notes are an integral part of these Financial Statements.

Note 1
Summary of Significant Accounting Policies

Nature of Operations

The Company's businesses include the manufacture or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy, Dockers, Nautica, Laredo, Code West* and *Larry Mahan* brands, the tanning and distribution of leather by the Volunteer Leather division and the operation of *Jarman, Journeys, Johnston & Murphy, Boot Factory, General Shoe Warehouse* and *Nautica* retail footwear stores and leased departments.

Basis of Presentation

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles tequires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

For the yeat ended February 1, 1997 ("Fiscal 1997"), the Company changed its fiscal year end to the Satutday closest to January 31. As a result, Fiscal 1998 has 364 days, Fiscal 1997 had 367 days, while Fiscal 1996 had 365 days. Fiscal Years 1998, 1997 and 1996 ended on January 31, 1998, Febtuary 1, 1997 and January 31, 1996, respectively.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years' data to the current presentation.

Fair Value of Financial Instruments

The carrying amount of cash, cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments. The fair value of the Company's $75.0 million 10¾% senior notes is estimated based on the closing market price as of January 31, 1998 which is $76.9 million (see Note 10).

Cash and Short-term Investments

Included in cash and short-term investments at January 31, 1998 and Februaty 1, 1997, are short-term investments of $45.6 million and $38.1 million, respectively. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

Inventories

Inventories of wholesaling and manufacturing companies are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are determined by the retail method.

Plant, Equipment and Capital Leases

Plant, equipment and capital leases are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method.

Impairment of Long-Term Assets

The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without intetest charges, are less than carrying amount. During the third quarter of Fiscal 1996, the Company identified certain retail stores that were impaired because of a history of and current period cash flow losses in these specific stores. An impairment loss of $978,000 was recognized for these retail stores and is included in the "Restructuring and other charges" line on the income statement for Fiscal 1996.

Note 1
Summary of Significant Accounting Policies, Continued

Hedging Contracts

In ordet to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments, the Company enters into foreign curtency fotward exchange contracts for Italian Lira. At January 31, 1998 and February 1, 1997, the Company had apptoximately $15.0 million and $18.8 million, respectively, of such contracts outstanding. Fotward exchange contracts have an average term of approximately three months. Gains and losses arising from these contracts offset gains and losses from the underlying hedged transactions. The Company monitors the credit quality of the major national and tegional financial institutions wirh whom it enters into such contracts.

Postretirement Benefits

Substantially all full-time employees are coveted by a defined benefit pension plan. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

In accordance with SFAS 106, postretirement benefits such as life insurance and healrh care are accrued over the period the employee provides services to the Company.

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabiliries are recorded when environmenral assessments and/or remedial efforts are probable and rhe costs can be reasonably estimared and are evaluated independently of any future claims for recovery. Generally, the riming of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of furure expenditures for environmenral remediation obligations are not discounted to their present value.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, ro the amounr the Company believes is more likely than not to be realized in the foreseeable future.

Earnings Per Common Share

The Company implemented Statement of Financial Accounting Standards (SFAS) 128, "Earnings per Share" in the fourth quarter of Fiscal 1998. This statement simplifies the computation of earnings per share (EPS) and increases comparability to international standards. Under SFAS 128, primary EPS is replaced by "Basic" EPS, which excludes dilution, and is compured by dividing income available ro common shareholders by the weighted average number of common shares outstanding for the period. "Diluted" EPS, which is computed similarly to fully diluted EPS, reflects rhe potential dilution that could occur if securities to issue common stock were exercised or converted to common stock. The Company has restated all prior period EPS information. (see Note 16).

Stock-Based Compensation Plans

The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, no compensarion cosr has been recognized other than for irs restricted stock options. (see Note 17).

Note 2
Restructurings

Fiscal 1998 Restructuring, Asset Impairment and Other Charges

As a result of the continued weakness in the western boor market, the Company approved a plan in the fourth quarter of Fiscal 1998 to exit the wesrern boot business. In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less costs to sell. In addition to the asset writedown, the Company recorded $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs in the fourrh quarter of fiscal 1998. Net sales of the Company's western boor business for Fiscal 1998, 1997 and 1996 were $45.4 million, $56.1 million and $57.3 million, respectively. The operaring losses for the Company's western boot business for Fiscal 1998 and 1997 were $3.7 million and $2.2 million, respectively. The Company's western boot business had operating income of $1.6 million for Fiscal 1996.

In addition to the charge related to the Boor Divestiture, the Company took a charge of $0.6 million during the fourth quarter of fiscal 1998 to consolidate staff in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

The Company's actions relating to such charges are expected to be completed in Fiscal 1999 and are expected to result in the elimination of approximately 490 jobs, including all employees in the western boot business.

Although the Company is currently in negotiations regarding the possible sale of its western boot operations, there are no definitive agreements, arrangements, or understandings with regard thereto. There can be no assurance that the Company will sell these operations. If such operations are not sold to a third party substantially as a whole, the Company intends to liquidate the boot operations. In the event of a sale or liquidation, the Company does not anticipate incurring additional charges with regard to the Boot Divestiture.

During the second quarter of Fiscal 1998, the Company recorded a restructuring gain of $1.1 million and losses from an asset impairment and other charges of $0.8 million resulting in a net gain of $0.3 million reported in the income statement. The restructuring gain relates to both the Manufacturing Restructuring discussed below and a restructuring plan adopted in the third quarter of Fiscal 1995 (the "1995 Restructuring") and relates primarily to the sale of one facility and cancellation of leases on two facilities (including one facility included in the 1995 Restructuring) more quickly and on more favorable terms than contemplated when the reserves were established. The asset impairment and other charges during the second quarter of Fiscal 1998 arose from the decrease in production in one of the Company's western boot plants in response to the continued weakness in the western boot market. The asset impairment and other charges related to excess equipment, including $0.1 million of equipment covered by operating leases. The Company expects only negligible recovery on the sale of the excess equipment.

Manufacturing Restructuring

The Company approved the Manufacturing Restructuring in the third quarter of Fiscal 1997 to realign its manufacturing operations as part of an overall strategy to focus on marketing and global sourcing. The plan included closing the Company's Hohenwald, Tennessee western boot plant by July 1997 with the elimination of approximately 190 jobs. In connection with the adoption of the Manufacturing Restructuring, the Company recorded a charge to earnings of $1.7 million in fiscal 1998, including $0.5 million in asset write-downs of the plant and excess equipment to estimated market value and $1.2 million of other costs. Included in other costs is employee severance, facility shutdown and lease costs of which the Company had spent $0.7 million through the end of fiscal 1998.

Note 2
Restructurings, Continued

Fiscal 1995 Restructuring

In response to worsening ttends in the Company's men's apparel business and in response to a strategic review of its footwear operations in fiscal 1995, the Company's board of directors approved the 1995 Restructuring designed to focus the Company on its core footwear businesses by selling or liquidating four businesses, two of which constituted its entire men's apparel segment.

The 1995 Restructuring provided for the following:

1995 Restructuring Charge relating to:

- Liquidation of the University Brands children's shoe business,
- Sale of the Mitre Sports soccer business, and
- Facility consolidation costs and permanent work force reductions.

1995 Restructuring Provision relating to:

- Liquidation of The Greif Companies men's tailored clothing business, and
- Sale of the GCO Apparel Corporation tailored clothing manufacturing business.

In connection with the 1995 Restructuring, the Company took a combined charge of $90.7 million in the third quarter of Fiscal 1995, of which $22.1 million (the "1995 Restructuring Charge") related to University Brands and Mitre and facility consolidation costs and permanent work force reductions and $68.6 million (the "1995 Restructuring Provision") related to Greif and GCO Apparel, which constituted the entire men's apparel segment of the Company's business, and is, therefore, treated fot financial reporting purposes as a provision for discontinued operations.

In the fourth quarter of Fiscal 1995, the 1995 Resttucturing Provision was positively adjusted by $10.5 million reducing the $68.6 million provision for future losses of discontinued operations to $58.1 million. The adjustment reflected the favorable consequences of a transfer, not anticipated at the time the provision was recorded, of a licensing agreement for men's apparel to another manufacturer. The transfer resulted in realization of inventory and accounts receivable balances on more favorable terms than anticipated, assumption of piece goods commitments by other manufacturets and cancellation of minimum royalty requirements under the transferred license.

In the first quarter of Fiscal 1996, the Company took an additional restructuring charge of $14.1 million relating to the 1995 Restructuring. The additional restructuring charge reflected the lowering of anticipated proceeds from the sale of the Mitre Sports soccer business. In addition, the 1995 Restructuring Provision was adjusted by an additional reversal of $12.7 million. The reversal reflected primarily (1) an agreement during the quarter providing for the resolution of a long-term lease liability on terms more favorable than were anticipated when the 1995 Resrructuring Provision was established, (2) better than anticipated realization of inventories and accounts receivable as the remaining Greif inventory was liquidated in the first quarter of Fiscal 1996 and (3) lower than anticipated union pension liability, which the pension fund determined and announced to the Company during the quarter.

Thtoughout the remainder of Fiscal 1996, the Company recognized additional reductions to the 1995 Restructuring Charge and Provision of $1.7 million as actual events differed from the original estimates.

The 1995 Restructuring was substantially complete as of January 31, 1996 and the Company does not expect any material futute adjustments arising from the completion of the 1995 Restructuring. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footwear operations to be divested or consolidated and in staff positions to be eliminated, of which 457 jobs had been eliminated as of January 31, 1996. The divestiture of the University Brands business was completed in February 1995. The liquidation of The Greif Companies was substantially completed in June 1995. The Company's GCO Apparel Corporation was sold in June 1995. The Company's Mitre Sports soccer business was sold in August 1995 with cash proceeds to the Company of approximately $19.1 million, including repayment of intercompany balances.

Note 2
Restructurings, Continued

Discontinued operations' sales subsequent to the decision to discontinue were $20.0 million for Fiscal 1996. Net sales for Mitre and University Brands for Fiscal 1996 were $30.8 million.

Operating results of footwear businesses divested pursuant to the 1995 Restructuring are included in the Company's sales, cost of sales and selling and administrative expenses. The net operating losses incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses. The elimination of these losses from the Company's results of operations for Fiscal 1996 is presented as other income in the Consolidated Earnings Statement. Such operating losses totalled $1.3 million for Fiscal 1996.

Note 3
Accounts Receivable

In Thousands	**1998**	1997
Trade accounts receivable	**$19,947**	$32,721
Miscellaneous receivables	**3,163**	6,960
Total receivables	**23,110**	39,681
Allowance for bad debts	**(988)**	(3,353)
Other allowances	**(1,762)**	(1,939)
Net Accounts Receivable	**$20,360**	$34,389

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. No single customer accounted for more than 11% of the Company's trade receivables balance as of January 31, 1998.

Note 4
Inventories

In Thousands	**1998**	1997
Raw materials	**$ 4,452**	$ 8,870
Work in process	**2,261**	3,333
Finished goods	**28,458**	29,270
Retail merchandise	**70,829**	54,411
Total Inventories	**$106,000**	$95,884

Note 5
Plant, Equipment and Capital Leases, Net

In Thousands	1998	1997
Plant and equipment:		
Land	$ 263	$ 241
Buildings and building equipment	2,515	2,552
Machinery, furniture and fixtures	36,310	37,522
Construction in progress	6,768	3,130
Improvements to leased property	51,532	42,734
Capital leases:		
Land	0	60
Buildings	200	1,904
Machinery, furniture and fixtures	4,969	7,285
Plant, equipment and capital leases, at cost	102,557	95,428
Accumulated depreciation and amortization:		
Plant and equipment	(52,334)	(53,241)
Capital leases	(4,852)	(7,716)
Net Plant, Equipment and Capital Leases	$ 45,371	$34,471

Note 6
Assets of Operations to be Divested

In Thousands	1998
Current assets:	
Accounts receivable, net of allowance of $3,325	$ 7,663
Inventory	5,460
Total Current Assets	13,123
Noncurrent assets:	
Plant and equipment	229
Capitalized lease rights	30
Total Noncurrent Assets	$ 259

Note 7
Other Noncurrent Assets

In Thousands	1998	1997
Other noncurrent assets:		
Pension plan asset	**$ 3,299**	$4,750
Investments and long-term receivables	**733**	1,792
Deferred tax asset	**935**	415
Deferred note expense	**1,656**	2,069
Total Other Noncurrent Assets	**$ 6,623**	$9,026

Note 8
Accounts Payable and Accrued Liabilities

In Thousands	1998	1997
Trade accounts payable	**$33,939**	$22,730
Accrued liabilities:		
Employee compensation	**14,179**	9,471
Litigation	**0**	10,700
Interest	**4,200**	4,017
Taxes other than income taxes	**3,826**	3,118
Insurance	**2,039**	3,089
Other	**13,811**	12,206
Total Accounts Payable and Accrued Liabilities	**$71,994**	$65,331

At January 31, 1998, outstanding checks drawn on certain domestic banks exceeded book cash balances by approximately $9.4 million. These amounts are included in trade accounts payable.

Note 9
Provision for Discontinued Operations and Restructuring Reserves

Provision for Discontinued Operations

In Thousands	Employee Related Costs*	Other	Total
Balance February 1, 1997	$13,356	$1,520	$14,876
Charges and adjustments, net	(1,320)	(195)	(1,515)
Balance January 31, 1998	$12,036	$1,325	$13,361
Current portion	1,808	1,209	3,017
Total Noncurrent Provision for Discontinued Operations	$10,228	$ 116	$10,344

**Union pension withdrawal liability (see Note 15).*

Restructuring Reserves

In Thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance February 1, 1997	$ 672	$1,637	$ 369	$2,678
Boot exit plan	3,192	1,056	1,392	5,640
Other restructurings	303	150	0	453
Charges and adjustments, net	(574)	(860)	(229)	(1,663)
Balance January 31, 1998	$3,593	$1,983	$1,532	$7,108
Current portion (included in accounts payable and accrued liabilities)	3,593	1,431	1,293	6,317
Total Noncurrent Restructuring Reserves (included in other long-term liabilities)	$ 0	$ 552	$ 239	$ 791

Note 10
Long-Term Debt

In Thousands	**1998**	1997
10¾% senior notes due February 2003	**$75,000**	$75,000

Revolving Credit Agreements:

On September 24, 1997, the Company entered into a revolving credit agreement with three banks providing for loans or letters of credit of up to $65 million. The agreement, as amended January 30, 1998, expires September 24, 2002. This agreement replaced a $35 million revolving credit agreement providing for loans or letters of credit. The replacement of the $35 million revolving credit agreement resulted in an extraordinary loss recognized in the third quarter of Fiscal 1998 of $169,000. Outstanding letters of credit at January 31, 1998 were $15.5 million.

Under the revolving credit agreement, the Company may borrow at the prime rate or LIBOR plus 1.5% which may be changed if the Company's pricing ratio (as defined in the credit agreement) changes. Facility fees are 0.425% per annum on $65.0 million and also varies based on the pricing ratio. The new credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and debt to equity ratios. The Company is required by the credit agreement to reduce the outstanding principal balance of the revolving loans to zero for 30 consecutive days during each period beginning on December 15 of any Fiscal Year and ending on April 15 of the following Fiscal Year. The revolving credit agreement, as amended, contains other covenants which restrict the payment of dividends and other payments with respect to capital stock. In addition, annual capital expenditures are limited to $30.0 million for Fiscal 1998 and thereafter subject to possible cartyforwards from the previous year of up to $3.0 million if less is spent in the current year. The Company was in compliance with the financial covenants contained in the revolving credit agreement at January 31, 1998.

10¾% Senior Notes due 2003:

On February 1, 1993, the Company issued $75 million of 10¾% senior notes due February 1, 2003.

The fair value of the Company's 10¾% senior notes, based on the closing market price on January 31, 1998, is $76.9 million.

The indenture under which the notes were issued limits the incurrence of indebtedness, the making of restricted payments, the restricting of subsidiary dividends, transactions with affiliates, liens, sales of assets and transactions involving mergers, sales or consolidations.

Note 11
Commitments Under Long-Term Leases

Capital Leases

Future minimum lease payments under capital leases at January 31, 1998, together with the present value of the minimum lease payments, are:

Fiscal Years	*In Thousands*
1999	$257
2000	7
2001	7
2002	8
2003	7
Later years	72
Total minimum payments	358
Interest discount amount	79
Total present value of minimum payments	279
Current portion	240
Total Noncurrent Portion	$ 39

Operating Leases

Rental expense under operating leases of continuing operations was:

In Thousands	**1998**	1997	1996
Minimum rentals	**$23,398**	$18,719	$17,942
Contingent rentals	**11,611**	10,270	8,776
Sublease rentals	**(1,039)**	(1,035)	(754)
Total Rental Expense	**$33,970**	$27,954	$25,964

Minimum rental commitments payable in future years are:

Fiscal Years	*In Thousands*
1999	$ 25,581
2000	23,987
2001	19,921
2002	15,868
2003	14,340
Later years	52,524
Total Minimum Rental Commitments	$152,221

Most leases provide for the Company to pay real estate taxes and other expenses and contingent rentals based on sales. Approximately 8% of the Company's leases contain renewal options.

Note 12
Shareholders' Equity

Non-Redeemable Preferred Stock

Class	Shares Authorized	Number of Shares 1998	1997	1996	Amounts in Thousands 1998	1997	1996	Common Convertible Ratio	No. of Votes
Subordinated Serial Preferred (Cumulative)									
$2.30 Series 1	64,368	**37,128**	37,123	37,233	**$1,485**	$1,485	$1,489	.83	1
$4.75 Series 3	40,449	**19,369**	19,469	19,632	**1,937**	1,947	1,963	2.11	2
$4.75 Series 4	53,764	**16,412**	16,412	16,412	**1,641**	1,641	1,641	1.52	1
Series 6	400,000	**0**	0	0	**0**	0	0		100
$1.50 Subordinated Cumulative Preferred	5,000,000	**30,017**	30,017	30,017	**901**	901	901		
		102,926	103,021	103,294	**5,964**	5,974	5,994		
Employees' Subordinated Convertible Preferred	5,000,000	**80,313**	80,313	80,313	**2,409**	2,409	2,410	1.00*	1
Stated Value of Issued Shares					**8,373**	8,383	8,404		
Employees' Preferred Stock Purchase Accounts					**(428)**	(439)	(446)		
Total Non-Redeemable Preferred Stock					**$7,945**	$7,944	$7,958		

**Also convertible into one share of $1.50 Subordinated Cumulative Preferred Stock.*

Preferred Stock Transactions

In Thousands	Non-Redeemable Preferred Stock	Non-Redeemable Employees' Preferred Stock	Employees' Preferred Stock Purchase Accounts	Total Non-Redeemable Preferred Stock
Balance January 31, 1995	$5,994	$2,410	$ (461)	$7,943
Other	0	0	15	15
Balance January 31, 1996	5,994	2,410	(446)	7,958
Other	(20)	(1)	7	(14)
Balance February 1, 1997	5,974	2,409	(439)	7,944
Other	(10)	0	11	1
Balance January 31, 1998	$5,964	$2,409	$(428)	$7,945

Note 12
Shareholders' Equity, Continued

Subordinated Serial Preferred Stock (Cumulative):

Stated and redemption values for Series 1 are $40 per share and for Series 3 and 4 are each $100 per share; liquidation value for Series 1—$40 per share plus accumulated dividends and for Series 3 and 4—$100 per share plus accumulated dividends.

The Company's shareholders' rights plan grants to common shareholders the right to purchase, at a specified exercise price, a fraction of a share of subordinated serial preferred stock, Series 6, in the event of an acquisition of, or an announced tender offer for, 10% or more of the Company's outstanding common stock. Upon any such event, each right also entitles the holder (other than the person making such acquisition or tender offer) to purchase, at the exercise price, shares of common stock having a market value of twice the exercise price. In the event the Company is acquired in a transaction in which the Company is not the surviving corporation, each right would entitle its holder to purchase, at the exercise price, shares of the acquiring company having a market value of twice the exercise price. The rights expire in September 2000, are redeemable under certain circumstances for $.01 per right and are subject to exchange for one share of common stock or an equivalent amount of preferred stock at any time after the event which makes the rights exercisable and before a majority of the Company's common stock is acquired.

$1.50 Subordinated Cumulative Preferred Stock:

Stated and liquidation values and redemption price—$30 per share.

Employees' Subordinated Convertible Preferred Stock:

Stated and liquidation values—$30 per share.

Common Stock:

Common stock-$1 par value. Authorized: 40,000,000 shares; issued: January 31, 1998—26,264,109 shares; February 1, 1997—25,194,504 shares. There were 488,464 shares held in treasury at January 31, 1998 and February 1, 1997. Each outstanding share is entitled to one vote. At January 31, 1998, common shares were reserved as follows: 176,894 shares for conversion of preferred stock; 934,103 shares for the 1987 Stock Option Plan; 2,274,437 shares for the 1996 Stock Option Plan; 200,000 shares for executive stock options; 82,010 shares for the Restricted Stock Plan for Directors; and 686,861 shares for the Genesco Employee Stock Purchase Plan.

For the year ended January 31, 1998, 527,906 shares of common stock were issued for the exercise of stock options and 16,204 shares were issued as part of the Directors Restricted Stock Plan. In addition, 525,495 shares were issued in connection with a $6.7 million litigation settlement reflected in the Fiscal 1997 income statement.

Restrictions on Dividends and Redemptions of Capital Stock:

The Company's charter provides that no dividends may be paid and no shares of capital stock acquired for value if there are dividend or redemption arrearages on any senior or equally ranked stock. Exchanges of subordinated serial preferred stock for common stock or other stock junior to such exchanged stock are permitted.

The February 1, 1993 indenture, under which the Company's 10⅜% senior notes due 2003 were issued, limits the payment of dividends and redemptions of capital stock to the sum of $10 million plus (i) 50% of Consolidated Net Income (as defined) after April 30, 1993 and (ii) the aggregate Net Proceeds (as defined) received from the issuance or sale of capital stock after February 1, 1993. At January 31, 1998, the Company was in a deficit position of $79 million in its ability to pay dividends.

Due to the above restrictions, the Company suspended dividends in the fourth quarter of Fiscal 1994 and now has cumulative dividend arrearages in the amount of $362,926 for Series 1, $391,012 for Series 3, $331,317 for Series 4, and $191,358 for $1.50 Subordinated Cumulative Preferred Stock.

Note 12
Shareholders' Equity, Continued
Changes in the Shares of the Company's Capital Stock

	Common Stock	Non-Redeemable Preferred Stock	Employees' Preferred Stock
Issued at January 31, 1995	24,832,127	103,294	80,313
Exercise of options	7,625	0	0
Other	4,284	0	0
Issued at January 31, 1996	24,844,036	103,294	80,313
Exercise of options	186,712	0	0
Issue shares — Employee Stock Purchase Plan	161,329	0	0
Other	2,427	(273)	0
Issued at February 1, 1997	25,194,504	103,021	80,313
Exercise of options	457,848	0	0
Issue shares — Employee Stock Purchase Plan	70,058	0	0
Issue shares — Litigation Settlement	525,495	0	0
Other	16,204	(95)	0
Issued at January 31, 1998	26,264,109	102,926	80,313
Less treasury shares	488,464	0	0
Outstanding at January 31, 1998	25,775,645	102,926	80,313

Note 13
Income Taxes
Income tax expense (benefit) is comprised of the following:

In Thousands	**1998**	1997	1996
Current			
U.S. federal	**$505**	$ (70)	$ 0
Foreign	**55**	41	25
State	**0**	22	0
Deferred			
U.S. federal	**(505)**	(415)	0
Foreign	**(15)**	0	0
State	**0**	0	0
Total Income Tax Expense (Benefit)	**$ 40**	$(422)	$25

Note 13
Income Taxes, Continued

Deferred tax assets and liabilities are comprised of the following:

In Thousands	**January 31, 1998**	February 1, 1997
Pensions	**$ (947)**	$ (1,049)
Other	**(164)**	(219)
Gross deferred tax liabilities	**(1,111)**	(1,268)
Net operating loss carryforwards	**8,967**	18,433
Net capital loss carryforwards	**7,900**	8,013
Provisions for discontinued operations and restructurings	**13,352**	7,685
Inventory valuation	**1,873**	1,685
Expense accruals	**5,497**	7,836
Allowances for bad debts and notes	**1,695**	1,802
Uniform capitalization costs	**2,463**	2,206
Depreciation	**4,641**	2,106
Pensions	**0**	201
Leases	**28**	126
Other	**1,160**	763
Tax credit carryforwards	**2,809**	2,649
Gross deferred tax assets	**50,385**	53,505
Deferred tax asset valuation allowance	**(48,339)**	(51,822)
Net Deferred Tax Assets	**$ 935**	$ 415

The Company has net operating loss carryfowards available to offset future U.S. taxable income of approximately $23.0 million expiring in 2010 and 2011. The Company also has capital loss carryforwards available to offset future U.S. capital gains of approximately $20.5 million expiring in 2001.

Reconciliation of the United States federal statutory rate to the Company's effective tax rate is as follows:

	1998	1997	1996
U. S. federal statutory rate of tax	**34.00%**	34.00%	34.00%
State taxes (net of federal tax benefit)	**4.50**	4.50	4.50
Deferred tax valuation allowance	**(38.50)**	(38.50)	(38.50)
Operating losses with no current tax benefit	**0**	0	0
Other	**0**	(2.9)	.01
Effective Tax Rate	**0**	(2.9%)	.01%

Note 14
Employee Retirement Benefits

Retirement Plan

The Company sponsors a non-contributory, defined benefit pension plan. Effective January 1, 1996, the Company amended the plan to change the pension benefit formula to a cash balance formula from the existing benefit calculation based upon years of service and final average pay. The benefits accrued under the old formula were frozen as of December 31, 1995. Upon retirement, the participant will receive this accrued benefit payable as an annuity. In addition, the participant will receive as a lump sum (or annuity if desired) the amount credited to their cash balance account under the new formula.

Under the amended plan, beginning January 1, 1996, the Company credits each participants' account annually with an amount equal to 4% of the participant's compensation plus 4% of the participant's compensation in excess of the Social Security taxable wage base. Beginning December 31, 1996 and annually thereafter, the account balance of each active participant will be credited with 7% interest calculated on the sum of the balance as of the beginning of the plan year and 50% of the amounts credited to the account, other than interest, for the plan year. The account balance of each participant who is inactive will be credited with interest at the lesser of 7% or the 30 year Treasury interest rate.

Pension Expense

In Thousands	**1998**	1997	1996
Service cost of benefits earned during the year	**$ 1,476**	$ 1,490	$ 1,914
Interest on projected benefit obligation	**6,644**	6,437	6,621
Actual return on plan assets	**(10,802)**	(12,505)	(12,522)
Deferral of current period asset gains (losses)	**4,211**	6,601	7,089
Amortization of prior service cost	**(146)**	(146)	388
Amortization of net loss	**690**	1,257	171
Amortization of transition obligation	**983**	983	983
Total Pension Expense	**$ 3,056**	$ 4,117	$ 4,644

Pursuant to the Company's plan to exit the western boot business, the Company recorded a curtailment loss of $379,000 which was reflected in the $17.3 million restructuring charge recorded in the fourth quarter of Fiscal 1998.

Actuarial Assumptions

	1998	1997
Weighted average discount rate	**7.00%**	7.50%
Salary progression rate	**5.00%**	5.00%
Expected long-term rate of return on plan assets	**9.50%**	9.50%

The weighted average discount rate used to measure the benefit obligation decreased from 7.50% to 7.00% from Fiscal 1997 to Fiscal 1998. The decrease in the rate increased the accumulated benefit obligation by $4.6 million and increased the projected benefit obligation by $5.4 million. The weighted average discount rate used to measure the benefit obligation increased from 7.00% to 7.50% from Fiscal 1996 to Fiscal 1997. The increase in the rate decreased the accumulated benefit obligation by $4.4 million and decreased the projected benefit obligation by $5.4 million.

Note 14
Employee Retirement Benefits, Continued

The following table sets forth the funded status of the plan as of the measurement date (December 31) for the respective fiscal year:

Funded Status

In Thousands	**1998**	1997
Actuarial present value of benefit obligations:		
Vested benefit obligation	**$89,428**	$82,534
Non-vested benefit obligation	**1,320**	1,309
Accumulated benefit obligation	**90,748**	$83,843
Projected benefit obligation for services rendered to date	**$97,530**	$91,350
Plan assets at fair value, primarily cash equivalents, common stock, notes and real estate	**84,848**	81,077
Projected Benefit Obligation in Excess of Plan Assets	**$12,682**	$10,273

At January 31, 1998 and February 1, 1997, there were no Company related assets in the plan. The pension plan assets are invested primarily in common stocks, mutual funds, domestic bond funds and cash equivalent securities.

Balance Sheet Effect

SFAS No. 87 requires the Company to recognize a pension liability ($5.9 million for Fiscal 1998 and $2.8 million for Fiscal 1997) equal to the amount by which the actuarial present value of the accumulated benefit obligation ($90.7 million for Fiscal 1998 and $83.8 million for Fiscal 1997) exceeds the fair value of the retirement plan's assets ($84.8 million for Fiscal 1998 and $81.1 million for Fiscal 1997). A corresponding amount is recognized as an intangible asset to the extent of the unamortized prior service cost and unamortized transition obligation. Any excess of the pension liability above the intangible pension asset is recorded as a separate component and reduction of shareholders' equity. In Fiscal 1998, this resulted in the recording of an intangible asset of $3.3 million and a reduction to shareholders' equity of $1.2 million. In the prior year, an intangible asset of $4.8 million and a minimum pension liability of zero in shareholders' equity was recorded in the Company's balance sheet. The increase in the charge to shareholders' equity from $0 in Fiscal 1997 to $1.2 in Fiscal 1998 results primarily from the decrease in the weighted average discount rate.

A reconciliation of the plan's funded status to amounts recognized in the Company's balance sheet follows:

In Thousands	**1998**	1997
Projected benefit obligation in excess of plan assets	**$(12,682)**	$(10,273)
Unamortized transition obligation	**3,299**	4,914
Unrecognized net actuarial losses	**9,250**	9,060
Unrecognized prior service cost	**(1,318)**	(1,717)
Prepaid (accrued) pension cost	**(1,451)**	1,984
Amount reflected as an intangible asset*	**(3,299)**	(4,750)
Amount reflected as minimum pension liability adjustment**	**(1,150)**	0
Amount Reflected as Pension Liability* **	**$ (5,900)**	$ (2,766)

**Included in other non-current assets in the balance sheet.*
***Included as a component of shareholders' equity in the balance sheet.*
****Included in other long-term liabilities in the balance sheet.*

Note 14
Employee Retirement Benefits, Continued

Section 401(k) Savings Plan

The Company has a Section 401(k) Savings Plan available to employees who have completed one full year of service and are age 21 or older.

Concurrent with the January 1, 1996 amendment to the pension plan (discussed previously), the Company amended the 401(k) savings plan to make matching contributions equal to 50% of each employee's contribution of up to 5% of salary. Matching funds vest after five years of service with the Company. Years of service earned prior to the adoption of this change contribute toward the vesting requirement. The contribution expense to the Company for the matching program was approximately $1.0 million for Fiscal 1998 and $1.1 million for Fiscal 1997.

Note 15
Other Benefit Plans

Prior to Fiscal 1996, the Company contributed to a multiemployer pension plan applicable to all hourly-paid employees of its tailored clothing division covered by collective bargaining agreements. As a result of the Company's decision to liquidate The Greif Companies men's tailored clothing business, the Company provided for its estimated union pension withdrawal liability (see Note 2).

The Company provides health care benefits for early retirees and life insurance benefits for certain retirees not covered by collective bargaining agreements. Under the health care plan, early retirees are eligible for limited benefits until age 65. Employees who meet certain requirements are eligible for life insurance benefits upon retirement. The Company accrues such benefits during the period in which the employee renders service.

Postretirement benefit expense was $321,000, $258,000 and $256,000 for Fiscal 1998, 1997 and 1996, respectively. The components of postretirement benefit expense follow:

In Thousands	**1998**	1997	1996
Service cost of benefits earned during the year	**$ 79**	$ 83	$ 64
Interest cost on accumulated postretirement benefits	**180**	175	192
Amortization of net loss	**62**	0	0
Net Periodic Postretirement Benefit Cost	**$321**	$258	$256

Note 15
Other Benefit Plans, Continued

The funded status of the plan and amounts recognized in the financial statements at January 31, 1998 and February 1, 1997 were as follows:

In Thousands	**1998**	1997
Postretirement benefit liability at beginning of year	**$2,544**	$2,693
Net periodic postretirement benefit cost	**321**	258
Cash expenditures for benefits	**(203)**	(771)
(Gain) loss due to actual experience	**(51)**	475
Amortization of net loss	**(62)**	0
Increase (decrease) in liability due to change in discount rate	**105**	(111)
Postretirement benefit liability	**2,654**	2,544
Unrecognized net loss	**(645)**	(653)
Postretirement Benefit Liability Recognized in Financial Statements	**$2,009**	$1,891

The weighted average discount rate used to determine the APBO at February 1, 1997 was 7.5% and 7.0% at January 31, 1998. The decrease in the rate resulted in an unrecognized loss of $105,000. The weighted average discount rate increased from 7.0% to 7.5% resulting in an unrecognized gain of $111,000 in Fiscal 1997. The APBO was determined using an assumed annual increase in the health care cost trend rate of 9.00% for Fiscal 1998. The trend rate is assumed to decrease gradually to 5.0% by Fiscal 2013. A one percentage point increase in the assumed health care cost trend rate would increase the APBO by approximately $211,000 and increase the aggregate of the service and interest cost components of net periodic postretirement benefit expense for the fiscal year by approximately $25,000.

Note 16
Earnings Per Share

In thousands, except per share amounts	**For the Year Ended Jan. 31, 1998** Income (Numerator)	Shares (Denominator)	Per Share Amount	For the Year Ended Feb. 1, 1997 Income (Numerator)	Shares (Denominator)	Per Share Amount	For the Year Ended Jan. 31, 1996 Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings (loss) before discontinued operations and extraordinary loss	**$8,820**			$10,554			$(3,781)		
Less: Preferred stock dividends	**(300)**			(301)			(302)		
Basic EPS									
Income available to common shareholders	**8,520**	**25,464**	**$.33**	10,253	24,540	$.42	(4,083)	24,347	$(.17)
Effect of Dilutive Securities									
Options		**1,393**			1,098			0	
Contingent Options[1]		**67**			0			0	
Employees' Preferred Stock[2]		**80**			80			0	
Diluted EPS									
Income available to common shareholders plus assumed conversions	**$8,520**	**27,004**	**$.32**	$10,253	25,718	$.40	$(4,083)	24,347	$(.17)

[1] These options refer to Fiscal 1997 and Fiscal 1998 and are contingent upon service to the Company and the Company's common stock trading at various prices. See Note 17 to the Consolidated Financial Statements under "Restricted Stock Options."

[2] The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

Note 16
Earnings Per Share, Continued

The dilutive effect of the convertible preferred stock was not reflected in diluted earnings per share because it is antidilutive. The amount of the dividend for the period per common share obtainable on conversion is higher than basic earnings per share. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,816, 40,869 and 24,946, respectively.

Options to purchase 194,500 shares of common stock at $12.75 per share and 51,954 shares of common stock at $12.38 per share were outsranding at the end of Fiscal 1998 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Options to purchase 100,000 shares of common stock at $9 per share and 344,500 shares of common stock at $11 per share were outstanding at the end of Fiscal 1997 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Note 17
Stock Option Plans

The Company's stock-based compensation plans, as of January 31, 1998, are described below. The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized other than for its restricted stock options. The compensation cost that has been charged against income for its restricted plans was $1.7 million for Fiscal 1998 and $980,000 for Fiscal 1997. The compensation cost that has been charged against shareholders' equity for its directors' restricted stock plan was $100,000, $35,000 and $30,000 for Fiscal 1998, Fiscal 1997 and Fiscal 1996, respectively. Had compensation cost for all of the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by FAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		Fiscal Years		
In thousands, except per share amounts		**1998**	1997	1996
Net Income	As reported	**$ 8,651**	$10,404	$10,071
	Pro forma	**$ 7,954**	$10,394	$ 9,981
Diluted EPS	As reported	**$ 0.31**	$ 0.39	$ 0.40
	Pro forma	**$ 0.28**	$ 0.39	$ 0.40
Basic EPS	As reported	**$ 0.33**	$ 0.41	$ 0.40
	Pro forma	**$ 0.30**	$ 0.41	$ 0.40

Fixed Stock Option Plans

The Company has three fixed option plans. Under the 1987 Stock Option Plan, the Company may grant options to its management personnel for up to 2.2 million shares of common stock. Under the 1996 Stock Incentive Plan, the Company may grant options to its officers and other key employees of and consultants to the Company for up to 2.3 million shares of common stock, which excludes 100,000 shares reserved for issuance to outside directors. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options granted under both plans vest 25% at the end of each year with the exception of shares granted February 20, 1995 which vest 20% at the end of each year and the 100,000 shares granted to the chief executive officer under the 1987 Plan which vested after one year.

Note 17
Stock Option Plans, Continued

With regard to the 100,000 shares reserved for issuance to outside directors, an automatic grant of restricted stock will be given to outside directors on the date of the annual meeting of shareholders at which an outside director is first elected and on the date of every third annual meeting of shareholders of the Company thereafter. The outside director restricted stock shall vest with respect to one-third of the shares each year. Once the shares have vested, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. There were 9,522 and 1,993 shares of restricted stock issued to directors for Fiscal 1998 and Fiscal 1997, respectively. An outside director may elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock shall be granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the Outside Director's ceasing to serve as a director or committee chairman during such fiscal year. Once the shares are earned, the director is restricted from selling, transferring, pledging or assigning the shares for an additional four years. There were 6,475 shares of Retainer Stock issued to directors for Fiscal 1998.

Under the 1996 Stock Incentive Plan, shares of restricted stock may be issued either alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside the Plan. To encourage stock ownership by key management employees, the Company has instituted a program allowing the chief executive officer, eight other executive officers and two high-level operating division employees to elect to receive part or all of their target awards under the Fiscal 1998 and Fiscal 1997 plans in the form of nonqualified stock options. The Fiscal 1998 options were granted February 25, 1997 and the Fiscal 1997 options were granted March 15, 1996. As of the grant date, the participants were permitted to elect to relinquish irrevocably all or a portion of the target award under the plan in exchange for a ten-year option to purchase shares of common stock at the closing price of the stock on the grant date. The option is to become exercisable one year from the date on which entitlement to the award under the plan for Fiscal 1998 and Fiscal 1997 is determined by the Company. Compensation cost charged against income for these options was $367,000 for Fiscal 1998 and $873,000 for Fiscal 1997.

The third fixed option plan is the executive stock option plan which granted 100,000 shares to the chief executive officer. The exercise price of these shares is equal to the market price of the Company's stock on the date of grant, the maximum term is 10 years and the options vested after six months.

The weighted-average fair value of each option granted in the fixed stock option plans described above is estimated on the date of grant using the Black-Scholes option-pricing model -average assumptions used for grants in 1998, 1997 and 1996, respectively: expected volatility of 45, 50 and 48 percent; risk-free interest rates of 6.0, 6.1 and 5.9 percent; and expected lives of six years for all plans.

Note 17
Stock Option Plans, Continued

A summary of the status of the Company's fixed stock option plans as of January 31, 1998, February 1, 1997 and January 31, 1996 and changes during the years ending on those dates is presented below:

	1998		1997		1996	
		Weighted-Average		Weighted-Average		Weighted-Average
Fixed Options	**Shares**	**Exercise Price**	Shares	Exercise Price	Shares	Exercise Price
Outstanding at beginning of year	**2,616,171**	**$ 4.96**	1,525,150	$3.35	1,431,475	$3.31
Granted	**377,370**	**11.40**	1,346,883	6.48	245,000	3.47
Exercised	**(457,848)**	**5.23**	(186,712)	3.44	(7,625)	2.91
Forfeited	**(7,038)**	**2.62**	(69,150)	3.24	(143,700)	3.14
Outstanding at end of year	**2,528,655**	**5.88**	2,616,171	4.96	1,525,150	3.35
Options exercisable at year-end	**944,176**		970,571		784,772	
Weighted-average fair value of options granted during the year	**$6.48**		$3.58		$1.89	

The following table summarizes information about fixed stock options outstanding at January 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 1/31/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 1/31/98	Weighted-Average Exercise Price
$1.875 - 2.75	666,090	6.9 years	$ 2.21	491,550	$ 2.25
3.375 - 5.00	1,092,570	7.9	4.57	305,751	4.23
5.50 - 7.75	58,125	8.3	7.31	14,500	7.31
9.00 -12.75	711,870	9.1	11.21	132,375	11.00
$1.875 -12.75	2,528,655	7.0	5.88	944,176	4.20

Restricted Stock Options

On January 10, 1997, 200,000 shares of restricted stock were granted to the chairman of the board under the 1996 Stock Incentive Plan. The stock price at the date of grant was $9 per share. The restrictions lapsed for one third of the shares (66,667 shares) on January 31, 1998. The restrictions would lapse for another one third of the shares on January 31, 1999 if (1) the chairman remains on the board of the Company and serves as chairman or in such other capacity as the board may request through that date and (2) the Company's common stock trades at or above $12.50 per share for 20 consecutive trading days during Fiscal 1999. The restrictions would lapse for the last one third of the shares on January 31, 2000 if (1) the chairman remains on the board of the Company and serves as chairman or in such other capacity as the board may request through that date and (2) the Company's common stock trades at or above $15.00 per share for 20 consecutive trading days during Fiscal 2000. Compensation cost charged against income for these options was $1.3 million in Fiscal 1998 and $107,000 in Fiscal 1997.

Note 17
Stock Option Plans, Continued

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, the Company is authorized to issue up to 1.0 million shares of common stock to those full-time employees whose total annual base salary is less than $100,000. Under the terms of the Plan, employees can choose each year to have up to 15 percent of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85 percent of the closing market price of the stock on either the exercise date or the grant date, whichever is less. Approximately 20 percent of eligible employees have participated in the Plan in the last 3 years. Under the Plan, the Company sold 70,058 shares, 161,329 shares and 4,284 shares to employees in Fiscal 1998, Fiscal 1997 and Fiscal 1996, respectively. Compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes model with the following assumptions for Fiscal 1998, Fiscal 1997 and Fiscal 1996, respectively: an expected life of 1 year for all years; expected volatility of 34, 52 and 68 percent; and risk-free interest rates of 5.6, 5.7 and 5.7 percent. The weighted-average fair value of those purchase rights granted in Fiscal 1998, Fiscal 1997 and Fiscal 1996 was $3.78, $3.26 and $1.73, respectively.

Stock Purchase Plans

Stock purchase accounts arising out of sales to employees prior to 1972 under certain employee stock purchase plans amounted to $436,000 and $448,000 at January 31, 1998 and February 1, 1997, respectively, and were secured at January 31, 1998, by 20,307 employees' preferred shares and 315 common shares. Payments on stock purchase accounts under the stock purchase plans have been indefinitely deferred. No further sales under these plans are contemplated.

Note 18
Legal Proceedings

New York State Environmental Proceedings

The Company is a defendant in two separate civil actions filed by the State of New York; one against the City of Gloversville, New York, and 33 other private defendants and the other against the City of Johnstown, New York, and 14 other private defendants. In addition, third party complaints and cross claims have been filed against numerous other entities, including the Company, in both actions. These actions arise out of the alleged disposal of certain hazardous material directly or indirectly in municipal landfills. The complaints allege that the defendants, together with other contriburors to the municipal landfills, are liable under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions required to be taken with respect to the landfills and damages to the natural resources.

In March 1997, the Company accepred an offer to sertle the Johnstown action for a paymenr of $31,350 and is now awaiting entry of an acceptable consent order and dismissal of that action. The Company remains a defendant in the Gloversville action. The environmental authorities have issued decisions selecting plans of remediation with respect to the Gloversville site with a total estimated cost of approximately $10.0 million. The Company has filed answers to the complaint in the Gloversville case denying liability and asserting numerous defenses. Because of uncertainties related to the ability or willingness of the other defendants, including the municipalities involved, to pay a portion of future remediation costs, the availability of State funding to pay a portion of future remediation costs, the insurance coverage available to the various defendants, the applicability of joint and several liability and the basis for contribution claims among the defendants, management is unable to predict the outcome of the Gloversville action. However, management does not presently expect the Gloversville action to have a material effect on the Company's financial condition or results of operations.

Note 18
Legal Proceedings, Continued

The Company has received notice from the New York State Department of Environmental Conservation (the "Department") that it deems remedial action to be necessary with respect to certain contaminants in the vicinity of a knitting mill operared by a former subsidiaty of the Company from 1965 to 1969, and that it considers the Company a potentially responsible party. In August 1997, the Department and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remediation measure with regard to the site, without admitting liability or accepting responsibility for any future remediation of the site. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing fot a release from liability for property damage and for necessary access to the site, for payments totaling $400,000. The Company estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be approximately $1.6 million. The Company believes that it has adequately reserved for the costs of conducting the RIFS and implementing the interim remedial measure contemplated by the consent order, but there is no assurance that the consent order will ultimately resolve the matter. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing for necessary access to the site. The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict whether its liability, if any, beyond that voluntarily assumed by the consent order will have a material effect on its financial condition or results of operations.

Whitehall Environmental Sampling

The Michigan Department of Environmental Quality ("MDEQ") has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's Volunteer Leather Company facility in Whitehall, Michigan. MDEQ advised the Company that it would review the results of the analysis for possible referral to the EPA for action under the Comprehensive Environmental Response Compensation and Liability Act. However, the Company is cooperating with MDEQ and has been advised by MDEQ that no EPA referral is presently contemplated. Neither MDEQ nor the EPA has threatened or commenced any enforcement action. In response to the testing data, the Company submitted and MDEQ approved a work plan, pursuant to which a hydrogeological study was completed and submitted to MDEQ in March 1996. Additional studies regarding wastes on-site, groundwater and adjoining lake sediments have been performed and will serve as a basis for the Company's remedial action plan for the site. Although the Company has not yet completed or submitted a proposed remediation plan to MDEQ and although officials of MDEQ have been quoted in press reports as proposing a $3.5 million lake sediment cleanup with $2.5 million to be funded by responsible parties, the Company presently believes that an appropriate remediation plan can be implemented without a material effect on its financial condition or results of operations.

Other Legal Proceedings

On October 6, 1995, a prior holder of a license to manufacture and market western boots and other products under a trademark now licensed to the Company filed an action in the District Court of Dallas County, Texas against the Company and a contract manufacturer alleging tortious interference with a business relationship, breach of contract, tortious interference with a contract, breach of a confidential relationship and civil conspiracy based on the Company's entry into the license and seeking damages of $20 million. The Company filed an answer denying all the material allegations of the plaintiff's complaint and does not presently expect the litigation to have a material effect upon its financial condition or results of operations.

Note 18
Legal Proceedings, Continued

On August 8, 1997, the trustee in bankruptcy of a Texas boot retailer filed an action in Texas state court against the Company and an unrelated boot wholesaler and retail chain alleging violations of a Texas antitrust statute and breach of contract by the Company. The trustee's allegations against the Company involve its decision not to consign additional boot inventories to the bankrupt retailer for its liquidation sale. The complaint seeks damages in an unspecified amount. The Company has filed an answer denying all material allegations in the complaint and does not expect the action to have a material effect on its financial condition or results of operations.

Note 19
Business Segment Information

In Thousands	**1998**	1997	1996
Sales to Unaffiliated Customers:			
Footwear (shoes and accessories):			
Retail	**$355,791**	$283,546	$243,303
Wholesale and manufacturing	**180,316**	177,802	191,272
Total Sales	**$536,107**	$461,348	$434,575
Pretax Earnings (Loss):			
Footwear (shoes and accessories):			
Retail	**$ 39,682**	$ 26,519	$ 17,881[3]
% of applicable sales	**11.2%**	9.4%	7.3%
Wholesale and manufacturing	**(10,468)**[1]	8,108[2]	(1,754)[4]
% of applicable sales	**(5.8%)**	4.6%	(0.9%)
Operating income	**29,214**	34,627	16,127
% of total sales	**5.4%**	7.5%	3.7%
Corporate expenses:			
Interest expense, net	**(8,862)**	(8,741)	(9,645)
Litigation settlement	**0**	(6,700)	0
Other corporate expenses	**(11,492)**	(9,054)	(10,238)
Total Pretax Earnings (Loss)	**$ 8,860**	$ 10,132	$ (3,756)
% of total sales	**1.7%**	2.2%	(0.9%)

[1] *Includes restructuring and other charges in Fiscal 1998 of $17.7 million.*

[2] *Includes a restructuring charge in Fiscal 1997 of $1.7 million.*

[3] *Includes an asset impairment loss of $978,000.*

[4] *Includes a restructuring charge in Fiscal 1996 of $14.1 million.*

Note 19
Business Segment Information, Continued

In Thousands	**1998**	1997	1996
Assets:			
Footwear:			
Retail	**$106,034**	$ 78,721	$ 67,482
Wholesale and manufacturing	**72,379**	79,424	74,290
Total footwear	**178,413**	158,145	141,772
Corporate assets	**68,404**	63,509	56,034
Total Assets	**$246,817**	$221,654	$197,806
Depreciation and Amortization:			
Footwear:			
Retail	**$ 5,887**	$ 4,811	$ 4,755
Wholesale and manufacturing	**1,995**	1,866	1,691
Total footwear	**7,882**	6,677	6,446
Corporate	**1,011**	1,070	908
Total Depreciation and Amortization	**$ 8,893**	$ 7,747	$ 7,354
Additions to Plant, Equipment and Capital Leases:			
Footwear:			
Retail	**$ 17,116**	$ 11,151	$ 4,364
Wholesale and manufacturing	**1,968**	2,948	2,514
Total footwear	**19,084**	14,099	6,878
Men's apparel	**0**	0	9
Corporate	**5,641**	541	1,677
Total Additions to Plant, Equipment and Capital Leases	**$ 24,725**	$ 14,640	$ 8,564

Note 20
Quarterly Financial Information (Unaudited)

In thousands, except per share amounts	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Fiscal Year	
	1998	1997	**1998**	1997	**1998**	1997	**1998**	1997	**1998**	1997
Net sales	**$114,185**	$100,219	**$120,024**	$102,955	**$147,046**	$124,109	**$154,852**	$134,065	**$536,107**	$461,348
Gross margin	**47,872**	40,588	**49,128**	40,813	**60,659**	51,188	**65,250**	54,486	**222,909**	187,075
Pretax earnings (loss)	**2,199**	501	**4,177**[1]	2,251	**9,577**	5,993[3]	**(7,093)**[4]	1,387[5]	**8,860**	10,132
Earnings (loss) before discontinued operations and extraordinary loss	**2,182**	966	**4,133**	2,223	**9,522**	5,903	**(7,017)**	1,462	**8,820**	10,554
Net earnings (loss)	**2,182**	966	**4,133**	2,073	**9,353**[2]	5,903	**(7,017)**	1,462	**8,651**	10,404
Diluted earnings (loss) per common share:										
Before discontinued operations and extraordinary loss	**.08**	.04	**.15**	.08	**.35**	.23	**(.28)**	.05	**.32**	.40
Net earnings (loss)	**.08**	.04	**.15**	.08	**.34**	.23	**(.28)**	.05	**.31**	.39

[1] *Includes a restructuring gain of $0.3 million (see Note 2).*

[2] *Includes a $169,000 extraordinary loss for early retirement of debt (see Note 10).*

[3] *Includes a restructuring charge of $1.7 million (see Note 2).*

[4] *Includes a restructuring charge of $18.0 million (see Note 2).*

[5] *Includes a litigation settlement charge of $6.7 million (see Note 18).*

Board of Directors and Corporate Officers

Genesco Inc. and Consolidated Subsidiaries

Board of Directors

David M. Chamberlain
Chairman –
Genesco Inc.
President and Chief Executive Officer -
L. Kee & Company
San Francisco, California
Acting chairman of the finance committee, member of the nominating committee

W. Lipscomb Davis, Jr.
Partner –
Hillsboro Enterprises
Nashville, Tennessee
Chairman of the nominating committee, member of the audit committee

John Diebold
Chairman –
The JD Consulting Group
Bedford Hills, New York
Member of the compensation and nominating committees

Harry D. Garber
Retired Chairman –
Genesco Inc.
Garden City, New York
Deceased – April 28, 1998
Chairman of the finance committee, member of the audit committee

Joel C. Gordon
Chairman –
Cardiology Partners of America
Nashville, Tennessee
Chairman of the audit committee, member of the compensation committee

Ben T. Harris
President and Chief Executive Officer –
Genesco Inc.

Kathleen Mason
President –
The HomeGoods division
TJX Companies, Inc.
Framingham, Massachusetts
Member of the audit and finance committees

William A. Williamson, Jr.
Chairman –
Kowaliga Capital
Montgomery, Alabama
Chairman of the compensation committee, member of the finance committee

William S. Wire II
Retired Chairman –
Genesco Inc.
Nashville, Tennessee
Member of the nominating and finance committees

Gary M. Witkin
President and Chief Executive Officer –
Service Merchandise Co., Inc.
Nashville, Tennessee
Member of the compensation committee

Corporate Officers

David M. Chamberlain
Chairman –
9 years with Genesco

Ben T. Harris
President and
Chief Executive Officer –
31 years with Genesco

James S. Gulmi
Senior Vice President –
Finance and Chief Financial Officer
26 years with Genesco

James W. Boscamp
Senior Vice President –
6 years with Genesco

Fowler H. Low
Senior Vice President –
35 years with Genesco

Sharon L. Buck
Vice President – Quality
1 year with Genesco

John W. Clinard
Vice President – Human Resources
23 years with Genesco

Steven E. Little
Vice President – Administration
33 years with Genesco

Matthew N. Johnson
Treasurer –
5 years with Genesco

Roger G. Sisson
Secretary and General Counsel –
4 years with Genesco

Paul D. Williams
Chief Accounting Officer –
21 years with Genesco

Corporate Information

Annual Meeting of Shareholders

The annual meeting of shareholders will be held Wednesday, June 17, 1998 at 10:00 a.m. CDT, at the corporate headquarters in Genesco Park, Nashville, Tennessee.

Corporate Headquarters

Genesco Park
1415 Murfreesboro Road • P.O. Box 731
Nashville, TN 37202-0731

Independent Accountants

Price Waterhouse LLP
4400 Harding Road • Nashville, TN 37205

Transfer Agent and Registrar

Communications concerning stock transfer, preferred stock dividends, consolidating accounts, change of address and lost or stolen stock certificates should be directed to the transfer agent. When corresponding with the transfer agent, shareholders should state the exact name(s) in which the stock is registered and certificate number, as well as old and new information about the account.

First Chicago Trust Company of New York
Stock Transfer Department
P.O. Box 2500 • Jersey City, NJ 07303-2500
Telephone: (201) 324-0313
E-Mail: FCTC@em.fcnbd.com
Website Address: http:/www.fctc.com
Telephone number for hearing impaired:
TDD: (201) 222-4955
Shareholder representatives are available:
Monday through Friday – 8:00 a.m. to 7:00 p.m.
Eastern Standard Time
Automated telephone service: 24 hours a day, 7 days a week.

Investor Relations

Security analysts, portfolio managers or other investment community representatives should contact:

James S. Gulmi, Senior Vice President – Finance
and Chief Financial Officer
Genesco Park, Suite 490 • P.O. Box 731
Nashville, TN 37202-0731
(615) 367-8325

Form 10-K

Each year Genesco files with the Securities and Exchange Commission a Form 10-K which contains more detailed information. Any shareholder who would like to receive, without charge, a single copy (without exhibits), or who would like to receive extra copies of any Genesco shareholder publication should send a request to:

Claire S. McCall
Director, Corporate Relations
Genesco Park, Suite 490 • P.O. Box 731
Nashville, TN 37202-0731
(615) 367-8281

Common Stock Listing

New York Stock Exchange, Chicago Stock Exchange
Symbol: GCO

Shareholder Information Line

Genesco maintains a toll-free shareholder information line to provide shareholders with timely information about the Company. Shareholders can obtain the latest financial releases and news updates, as soon as they are available, by dialing 1-800-6400-GCO (1-800-640-0426).

Shareholders may also request a copy of the Company's quarterly earnings release. The Company updates the list of quarterly information recipients annually and reminds shareholders to call each year at the number above if they wish to remain on the list.

Securities Information – Common Stock, New York and Midwest Stock Exchanges

	Fiscal 1998		Fiscal 1997		Fiscal 1996	
	High	Low	High	Low	High	Low
Quarter ended April 30	12 1/4	8 5/8	6 3/4	3 3/4	4	2
Quarter ended July 31	15 5/16	11	8 1/8	5 5/8	4 1/2	3
Quarter ended October 31	15 7/16	11 1/8	10	6 5/8	4 7/8	3 3/4
Quarter ended January 31	13 7/8	11 1/8	11 1/8	8 3/8	4 1/4	2 7/8

Approximate number of common shareholders of record: 10,500

Genesco Companies

Journeys, a 176-unit retail chain located primarily in shopping malls across the United States, markets footwear for men and women ages 13-22.

Johnston & Murphy is a premier men's dress shoe brand with an increasing presence in the dress casual and casual footwear markets. Its products are distributed through fine department and specialty stores and men's shoe stores. J&M retail stores are major marketers of dress, dress casual and casual footwear for men. Including its factory stores, J&M operates in 127 retail locations across the United States.

Nautica Footwear designs and markets dress casual and casual shoes, hiking boots, boys' shoes and Nautica Competition athletic footwear under a license from Nautica Apparel.

Dockers Footwear is the exclusive licensee of Levi Strauss & Co. for the sale, marketing and distribution of Dockers brand footwear.

Jarman retail stores market an assortment of casual and dress footwear in both its 158 retail shoe stores and its 84 leased departments targeted primarily to men ages 18-35.

Volunteer Leather Company is the leading supplier of performance footwear leathers for the United States armed forces, as well as a leather supplier to leading commercial footwear producers.

GENESCO

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